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THE AMERICANS IN JAPAN AND KOREA

By E. Stuart Kirby

Two previous articles in this series (Some American Realists: Their comments on the Far Eastern situation) have discussed the first two sections of an unofficial American publication which gives an excellent survey of the problems of United States policy in the Far East. The present article will review the third section in the same booklet, which is entitled "Japan and Korea as American Policy Problems" and is written by the well known Japan expert, Edwin O. Reischauer. Professor Reischauer is concerned with the question of the alignment of U.S. policy in these special areas to the needs of the changing situation in the rest of Eastern Asia. The direct American involvement in Japan and Korea, hitherto regarded as only of "outpost" or transitional importance, may have to move forward into a pivotal role, if there is to be a new and dynamic approach by the United States to the wider problem of East Asia.

The case of Korea is first clearly outlined by Prof. Reischauer, in a manner which emphasises the generous naivete of American sentiment towards the other Allies at the closing stages of the War. It seems to have been taken (by the Americans) completely for granted, in the convivial atmosphere of Yalta, that there would be full collaboration between all the Allies after their victory. The pledge was made to secure the independence of Korea, but no practical preparations were made beforehand for implementing it. A dividing line between Russian and American operations, arbitrarily devised by some reasoning or guesswork of a solely military kind, was drawn at the 38th parallel of north latitude. It was never supposed (by the Americans) that this would become an actual physical division of the country; as such it is unreasonable, indeed fantastic, from the economic, administrative, political and social points of view.

U.S. combat troops were moved into South Korea, on the Japanese surrender. They were completely unfamiliar with the country or its problems, untrained for the tasks its administration presented and unprovided with any adequate instructions. They moved from blunder to blunder; they first antagonised the Koreans by keeping the Japanese in charge of the administration, then swung to the opposite error of replacing them by untrained and inexperienced Koreans. Meanwhile the Russians treated the 38 degrees line as an absolute frontier. All the major mineral, industrial and

power resources lay on their side of it. Swiftly and effectively, with every sign of prior planning, they organised North Korea into a satellite police state on the familiar pattern of present Russian expansion. The Americans, on their side of the line, had no policy. They were awaiting the formation of the united Korean government which has been envisaged at Yalta. It was agreed that all "democratic" parties in Korea should participate. Here the Russians blocked the whole scheme, by simply refusing to accept as "democratic" any organisation which was not fully Communist or controlled by Communists.

* * *

The fact that they were confronted in Korea with a deliberate challenge, engineered by the Russians, seems indeed to have been a shock to the Americans. The challenge was—and is—both political and economic in nature; the two aspects are inextricably intertwined. The industrial and other resources are in the North; they fell to the Russians, while the Americans in the South inherited an overpopulated area, in which was concentrated the main effects of Japanese oppression. The latter meant subjection and demoralisation of the people and neglect of economic development; for the Japanese had promoted industrial development in the North, while keeping the South as a backward agrarian and colonial area.

In face of this total lack of calculation and preparedness, contrasting with the evidently preconcerted Russian action, how empty and unrealistic is the propaganda which would have us believe that it is the Americans who are the imperialist aggressors. Not only were they totally unready for such an involvement in 1945, but it took them another year or two to realise the full extent of the bad faith on the other side. Only from 1948 have they taken steps to match, measure for measure, Russian procedure in Korea. It has been like a chess game in which one player made several moves before his opponent started. Now, however, the countermoves have begun.

Prof. Reischauer fears that in these circumstances U.S. policy may be compromised and vitiated, since it is forced (in Korea) to manoeuvre on the ground selected by the Russians. "Thus"—in his own words—"in Korea we are forced to compete with the Soviet Union in an area where their system can be put into immediate operation, while the system we believe

in can only be the product of a much more gradual process of evolution. We may find ourselves fighting a Communist police state with a dictatorship of the right which we believe in no more than in its leftist adversary. In that case, even if the southern regime should win, U.S. policy will have lost, because a rightist dictatorship in Korea would merely be confirmation of the Soviet accusations that the U.S. stands for reaction. If the northern regime wins, as seems more likely because of its head start as a military organisation and its greater mass support among the workers and tenant farmers, the moral would be drawn that democracy does not work in Asia."

Prof. Reischauer thus clearly states the dangers; but he seems to underestimate the great steps that have been taken to defend the democratic side in Korea. Probably the counter-policy has more clearly emerged since he wrote those lines. This counter-policy is largely economic in content. With reference to the last sentence just quoted from Prof. Reischauer's essay, for instance, it must be remarked that recently a good deal has been done to win "greater mass support" among (in the first place) tenant farmers. A remarkable land reform policy has been effected in South Korea. There is no space for details here, but the land reform policy may have transformed the rural situation. It is perhaps sufficient to remark that Communist propaganda, as is usual with any distinct successes on the other side, has simply ignored this development and merely intensified its abuse of the Americans as upholders of landlordism, etc. The support of the workers has also to be won; here the course is clearly to be that of the Technical Aid Programme (Point Four), in which South Korea is expected to participate, in continuation of the substantial work that has been done in that country by the E.C.A. Present plans are to make South Korea economically self-sufficient, despite all the physical handicaps, by 1957. Important progress has been made in that direction.

In Japan, the circumstances were not so adverse; and the U.S. was better prepared, having expert personnel and positive policy to put into operation at once. There seems however to have been the same naivete about inter-Allied sentiment, on the American side; not only was the assumption made that all concerned would understand that a single control, in contrast to the divisions made in Germany, would be the most convenient arrangement, but it was supposed that all would agree that America was the best trustee for the Allies. A sweeping sim-

plicity characterised also (Prof. Reischauer suggests) the high aims set—which prescribed nothing less than the complete democratisation of Japan—and the delegation of full and direct authority to one strong personality, General MacArthur.

Thanks to the firm, clear and inspiring leadership of the latter, and the energetic work of those under him, remarkable progress has been made in Japan. In this, Americans have generally believed that the United States was simply acting in the common interest of the Allies. Professor Reischauer does not pause to discuss whether in effect the Americans were not doing in Japan somewhat as the Russians did in Korea—taking possession of the demarcated area, and treating the inter-Allied or United Nations agencies as “little more than a debating society” for discussing actions already accomplished. However, he points out that if Allied unity had been what it was assumed to be, this procedure would have been accepted as an administrative necessity. His view is that the Americans never intended to be placed in a position where the reform of Japan should become “a vital test of U.S. foreign policy and of democracy itself”; they imagined they were undertaking a caretaker role, by common consent.

As time goes on, it does seem to become increasingly clear that this is the genuine explanation—so far at least as the broad policy is concerned, though interested elements or “pressure groups” may have been able to take their own advantage from it. It is to be noted that the Russians have never directly challenged the primacy of American responsibility for the reform of Japan. They have merely “sought repeatedly to thwart our efforts there and induce the Japanese to follow a very different road.” Essentially their procedure has been the unscrupulous one of refraining from pointing out that the opponent’s procedure is wrong in principle, in the hope that he will be placed in a false position and will fail in all his undertakings. This has led the Russians and their Communist following often into a merely negative opposition to key measures of reform in Japan. The reform policies in Japan have, in fact, like most human undertakings, been partly good and successful, partly misguided and ineffectual. Russian and Communist criticism or propaganda has stressed only the defects, and attempted to conceal the credit items either by ignoring them or by overlaying them with abuse. As in the case of Korea, the agrarian reform is an instance. The redistribution of lands and the improvement of tenancy conditions has apparently been so effective in Japan that the authorities feel that any threat of Communism in the rural areas is now remote; Communist propaganda gives no details about this, but levels ever more sweeping charges of “American support of landlordism.”

Prof. Reischauer reviews also the policy of the “liquidation of the zaibatsu,” the breaking-up of the great

ECONOMIC NEWS FROM THE UNITED STATES

By E. Kann (Los Angeles)

(Special to the FAR EASTERN ECONOMIC REVIEW)

New Taxation Proposals.

President Truman’s much delayed tax proposals were sent to Congress on January 23 and culminate in (a) an increase in corporation and legacy levies, bringing an additional one billion dollars a year; (b) plugging-up of loopholes in divers tax laws; (c) slashings in seven excise tax categories. While some of the reduced taxes find favor amongst the democratic representatives, as well as amongst the Republican opposition, the latter is almost certain to sternly oppose further tax hikes, arguing that there exists much more justification for instituting a reduction in expenditure. President Truman made it clear in his message that he would veto any new tax proposal which aims at decreases without, at the same time, creating commensurate additional revenues, which would offset the loss of revenue and which would in the end produce a net increase of 1 billion dollars, so

monopoly concerns in Japan. Here again, the real-life picture would seem to be that there has been some success, and on the other hand immense difficulties and some shortcomings; but Communist or Russian versions characteristically ignore the successes, magnify the defects, and insist that the effort, far from being an honest one, is indeed a conspiracy of collaboration between the Japanese capitalists and militarists and their American opposite numbers!

These aspects are only incidentally brought out by Prof. Reischauer’s survey which is mainly concerned to give the basic facts of the Japanese situation for the general reader in America. It goes on therefore to outline the difficulties in the path of the industrial and commercial revival of Japan, and the reintegration of the Japanese economy into the world structure in general, or that of East Asia in particular. There is no need here to reproduce the familiar facts about this general question. From the point of view of readers here in East Asia, this section of the booklet “Next Step in Asia” therefore contains less fresh material than the others. But it struck the present reviewer as bringing out with particular clarity the inner nature of the Russo-American rivalry in the Far East; it seems to show some naivete, striving and realism on the one side, but some opportunism, vilification and trap-setting on the other. In any case, such an objective appraisal as this is of great value, in contrast to the pretensions of those parties which claim a monopoly of honesty and wisdom.

(A further article in this series will review the remaining section of “Next Step in Asia,” which is entitled “The Asiatic Context of our Far Eastern Economic Policy” and is written by William L. Holland).

as to reduce the current deficit in the budget.

The President is explicit as to handling the issue. He is agreeable to the reduction in the tariff of some (and not all) excise taxes, and then only to the extent “that the resulting loss in revenue is replaced by revenue obtained from closing loopholes in the present tax laws.” By ‘loopholes’ he refers to laws which offer undue advantages to oil well and mine owners, charitable and educational organizations which are engaged in business, and life insurance companies. He explicitly also included into this category motion picture stars who, under prevailing conditions, manage to save two-thirds of the tax on profits from a picture, by forming a corporation to make one film, thereby disbursing taxes at the rate of capital gains, instead of the much higher and progressive income tax tariff.

From the extensive list of excise taxes President Truman selected seven the reduction of which he considers “most urgently needed.” In doing this he avoided specifying amounts or percentages. The following tabulation will indicate the nature of existing excise taxes, as far as these are coming into consideration:

	Present yield for 1951	Pre-war at present rate	Present at present rate
Jewellery	20%	10%	\$201,000,000
Luggage	20%	10%	\$ 80,000,000
handbags	20%	10%	\$ 55,000,000
Furs	20%	10%	\$ 95,000,000
Cosmetics	20%	10%	
Long-distance			
phone and			
telegraph	25%	10%	\$325,000,000
Passenger			
transport	15%	5%	\$240,000,000
Freight trans-			
portation	3%	—	\$330,000,000

Other excise levies not mentioned by Mr. Truman, as well as their estimated yield, are the following:

	Estimated income in tax
Admission to movies and stage plays	20% \$395,000,000
Night Clubs, on charges involved	20% \$ 40,000,000
Club dues and initiation fees	20% \$ 10,000,000

There are other indirect taxes, actually disbursed by the manufacturer, but reflected in retail sale prices:

Passenger cars and motor cycles, 5% of manufacturers’ price, yielding about \$350,000,000. Trucks, busses and trailers, 5%, netting about \$105,000,000; auto parts and accessories, 5%, bringing about \$90,000,000.

Furthermore, there are heavy excise dues on electric bulbs, namely 20% of sale price, giving an income of \$25,000,000. Another \$45,000,000 is yielded by a 10% excise tax on radios, phonographs, musical instruments and television sets. Refrigerators and air-conditioning sets also pay 10% tax and give about \$65,000,000. The same tariff applies to business machines, resulting in about \$30,000,000 from this source.

A rather high excise levy of 25% is placed on photographic apparatus and equipment, while 15% tax is being collected on films, resulting in an income of \$42,000,000. Ten percent is clamped on sporting goods, yielding about \$18,000,000.

No mention was made by the President regarding excise taxes on liquor and tobacco, levies which produce annually about 3½ billion dollars.

Regarding corporation taxes, the new, proposed hike relates to net incomes of \$50,000 a year, or over. Now corporations are saddled with 38% taxation on their net income, and under the newly suggested changes the scale would be increased to 41%.

The proverb is, I believe, of Chinese origin: "Be a patriot by paying the taxes, which you cannot avoid." Let this maxim serve as introduction to the next paragraph:

Loopholes.

Said the presidential message inter alia: "Motion picture producers and stars have attempted to avoid taxes by creating temporary corporations which are dissolved after making one film." By that device their revenues from producing a single film is being taxed at the capital gains rate of 25%, whereas the top bracket personal income tax aggregates 77%.

Another unfair tax loophole, opines the President, is the one which allows the oil and mining concerns to continue ad infinitum charging off to one-half of their income as a non-taxable depletion cost. This was hitherto allowable, on the ground that the concerns' assets—minerals or oil in the earth—are gradually depleted. Much unfair advantage has been taken during recent years of this point which ought to be stopped immediately.

Educational and charitable institutions enjoyed tax exemptions. Mr. Truman asserts that such privileges have been abused in some cases, to gain competitive advantages over private enterprises and to cloak speculative business transactions.

Regarding life insurance evasion of taxation Mr. Truman said that these had been escaping taxation since 1946 on 1½ billion dollars worth of investment income a year, adding that the existing tax laws unintentionally relieved those companies of the payment of income taxes.

Reverting to the incorporation of film companies for every single picture, and the dissolving of same as soon as it was finished, this was declared illegal by the Tax Bureau some years ago, but seemingly it needs special legislation to prevent its continuance.

The entire tax program was placed by Mr. Truman under the heading of reducing inequities, stimulating business activity and yielding more revenue.

Strikes.

Although the coal strikes in this country are sporadic, they not infrequently take place against the orders of John Lewis, the coal miners' Czar. When some groups return to work, others are in the habit, seemingly without premeditation or co-ordination, to

initiate coal strikes in other districts. As these manoeuvres have been going on for a very long period, the effect upon industrial activities has been felt to an evergrowing degree. Some of the steel concerns (as for instance, Crucible Steel Co) have had to curtail production, due to the absence of coal stocks. The U.S. steel industry, which had quite recently been working up to 98% of capacity, has since receded to under 94%. And it needs no emphasis to accentuate the dangers which are lurking for other manufacturers who are dependent on coal supplies. Nevertheless the New York Stock Exchange, so far, continues chin up.

For 6 months past the Chrysler Corporation has been negotiating with the Union regarding a new pension plan, but up to the eve of the deadline (the men entered the strike period on January 24) agreement still was lacking. The Chrysler Corporation accedes to the following concessions:

a) Chrysler employees with 25 years service and at the age of 65, when they retire, receive \$100 a month pension for rest of their lives.

b) Chrysler would pay that part of the \$100 that is over and above Federal Social Security primary benefits and other social payments by State or Federal Government.

c) Chrysler employees with from 15 to 25 years of services at the age of 65 would, upon retirement, receive proportionate pensions based on \$4 a month for each year of service.

d) At no additional cost to employees carrying insurance, Chrysler would pay the cost of increasing \$3,000 life insurance now available to \$3,600, and would also contribute to benefit correspondingly employees now carrying less than \$3,600 of life insurance. Chrysler also would pay the cost of increasing \$21 per week sickness and accident insurance now available to \$25 a week. But upon the age of 65 life insurance premium contribution of employees would cease.

e) The following additional benefits would be given by Chrysler: Insured employees would be protected against permanent and total disability up to the age of 65. Chrysler would continue to co-operate on hospital and medical insurance.

Television.

Though prices for television sets have, on an average, come down during the past 12 months, about 20%, manufacturers feel that their profits will not diminish, due to the considerably increased output and turnover. It is expected that during 1950 about 4 million sets will be sold.

Admiral Corporation, having turned out 400,000 sets in 1949, set up an objective of 1,000,000 units for 1950. Philco Radio has set its sights for 800,000 receivers in 1950, compared with 600,000 last year. Emerson plans to double its 1949 production. Motorola turned out 600,000 sets in 1949 and expects to surpass this figure this year. Zenith Radio Corporation will not disclose its production figures, but they state that Noverber and December were by far the best of any

two months in the company's history; and Zenith is fully booked for the first quarter, 1950. Radio Corporation of America, while its output is not immediately available, is the largest of all.

Items of General Interest.

The Chase National Bank's net earning for 1949 were \$19,464,000, equal to \$2.63 a share, versus \$17,579,000, or \$2.37 a share, for 1948.

Building homes during the past year constituted a record in this country. Altogether 1,019,000 dwelling units were added during 1949. Of these 983,700 were privately financed. Housing construction last year was 9% higher than in 1948, when a record high had been established.

The American Telegraph and Telephone Co. announces a net income for the last quarter of 1949 of \$63,740,000, or \$2.56 per share. Shares outstanding were 24,930,000. Net income for the comparable last quarter of 1948 was \$54,179,000, or \$2.33 a share, on 23,223,000 shares then issued.

Not only grain harvests nowadays are excessively bountiful in USA, but also fishery products. This season's catch of Sardines in California's coast will aggregate about 300,000 tons, against 142,000 last year. Local canneries refuse to receive further supplies, maintaining that their stocks on hand are up to their facilities. In view of the super-abundance of sardines this season the Californians will have to eat what they can, and can what they can't.

It might be considered sinful to talk about alcohol; but evidently more sins were committed when prohibition nominally ruled supreme. The consumption of whiskey has declined in USA about 20% from its peak in 1946. Nevertheless earnings of the distilleries have been well maintained. The largest distilling houses are National Distillers, Schenley Industries and Seagrams Corporation. National Distillers stands at 23 and pays \$2 dividend per year. Schenley's worth in August 1949 was \$188 million, or about \$53 a share, though these are now quoted at 33; dividends are round \$2 a share. The net worth of Schenley now is 2½ times above what it was six years ago. The company's cash position is excellent, showing (last August) about \$64 million cash. Considering that no important capital expenditure is in view, the company's earnings this year ought to approximate 20 million dollars, exclusive of inventory reductions. Both distilling concerns (National and Schenleys) have financed much of their fast expansion out of undivided earnings, so that their near future is promising.

US monetary circulation now is \$27,121,000,000, about \$600 million less than at mid-January, 1949. Treasury gold stock stands at \$24,426,000,000, compared with \$24,264,000,000 a year ago.

Crude petroleum stocks, on January 14, 1950, in America were 248,867,000 barrels, a net decrease of 1,357,000 barrels for one week. Daily average production was 4,926,000 barrels.

1949 in Retrospect

(By Samuel Montagu & Co., London)

The hopes with which we entered 1949 were not realised during the year; the bug-bear of the dollar gap followed us and became more frightening as the year wore on. During the second quarter the gap widened and it became evident to all that something must be done to stop the rot.

In July, at a Conference of Commonwealth Ministers, it was decided to reduce dollar imports by 25 per cent. but, it was announced in the House of Commons that the Government had no intention of devaluing the pound. Circumstances and economic pressure, however, became too strong for the Government. To stimulate export of goods to the hard currency areas, especially U.S. and Canada, the Chancellor of the Exchequer announced on the 18th September in a radio message to the people that the Government had decided to devalue the pound sterling vis-a-vis the U.S. dollar from \$4.03 to \$2.80.

This movement, which was long overdue, has been largely effective for the moment in bridging the gap as the adverse balance of payments with the dollar areas was reduced to £11 million in the quarter ending 30th December last. This compares with a deficit of £157 million during the quarter to 30th June last, and the gold and dollar reserves rose from £351 million at the end of September (at the old rate of exchange) to £603 million at the new rate of exchange, or £416 million at the old rate of exchange. This was followed by another move which was also overdue, and that was an announcement on the 24th October by the Prime Minister that Government expenditure would be cut by £250 million in a full year.

The outlook is still far from reassuring as the markets for our goods are narrowing and competition from enemy countries is likely to be more keen as time goes on.

It is not to be expected that the years which the "locusts have eaten" can be regained so soon, and the Commonwealth must strain every nerve in an all-out effort to build up the resources which were so prodigally scattered in the war years.

Sterling balances accumulated during the war years are still very large, blocks of which are released from time to time, leaving the market "sterling offered" and the transferable pound is being dealt in at around \$2.50 in other countries. This trend is very disquieting, making one wonder what the pound is really worth and what it will be when "Marshall Aid" is a thing of the past and we have to pay interest on those large sums we have had loaned to us.

The coal target set by the Government was reached, but cannot this be stepped up to five million tons per week which was the coal output in the twenties? If this could again be attained our coal exports market could again be developed and we shall hear more of sterling being wanted and not so much of the pound offered.

The Situation in Manchuria

A practically independent government rules in Manchuria today and the tendency is to consolidate the hold of the present CCP faction, with the support of Moscow, irrespective of the efforts of Peking to centralise government in the Chinese sub-continent. The split between the Russian educated and more orthodox politicians in Mukden (led by Li Li-san) and the 'new democrats' of Peking who have more native roots is growing during the last few months. The economic success of the new Manchurian government, aided by Russian and Japanese technicians and advisers in most important fields of production (and of course defence), has encouraged the Li Li-san faction to demand a more definite voice in the shaping of policy in China proper and this request, supported as it is by all the Russian educated and returned party stalwarts, has become so pressing that Mao Tse-

tung, the originator of the theory of 'New Democracy' (being the preparatory stage in China for the introduction of socialism in the country), found it imperative to consult Moscow on this point and to have decisions made in the Soviet capital which, if contrary to the convictions of the old Yenan CP guard, may herald a period of tension between Peking and Moscow with all its implications for China's relations with the Western segment of the world.

In Manchuria, which territory has been skillfully protected, by means of the iron curtain technique, from mixing too much with international affairs, the educated classes are aware of the contradiction existing between the two principal factions of the CCP, and they are also conscious of the historic ambitions of the Russians to maintain if not a subservient so at least a very friendly Manchuria — which, under present cold war operations, means the

The following table gives some of the chief events of the past year:

1st January	United States recognised Republic of Korea.	with India announced providing for sterling release.
14th "	Relaxation of controls on foreign trade announced in Tokyo.	8th " Council of Europe met in Strasbourg; first meeting of Consultative Assembly on 10th.
20th "	British exports during 1948 announced as £1,583,300,000.	16th " Agreement for release of Pakistan sterling balances published.
28th February	Anglo-Netherlands trade agreement announced.	23rd " Indonesia round-table conference opened in The Hague.
15 March	Clothes rationing ended in Britain.	7th September Washington financial talks began between Ministers from Britain, Canada and the United States.
1st April	Newfoundland became part of Canada.	8th " Belgium opened credit in Belgian francs for Great Britain.
4th "	North Atlantic Treaty signed in Washington.	15th " Dr. Adenauer (Christian Democrat) elected Chancellor of Republic of Western Germany.
6th "	Budget introduced.	17th " North Atlantic Council held first meeting in Washington.
18th "	Republic of Ireland inaugurated in Dublin.	18th " Devaluation of the pound from \$4.03 to \$2.80.
22nd "	Commonwealth Prime Ministers' Conference opened in London; conference agreed on constitutional position of India, enabling her as a Republic to continue full membership of the Commonwealth.	19th " Canadian dollar devalued 10 per cent. in relation to U.S. dollar.
3rd May	Ten-Power conference opened in London to approve a Constitution for Europe; Statute of Council of Europe signed on 5th.	5th October M. Queuille, the French Prime Minister resigned. President Truman signed Mutual Defence Assistance Act.
4th "	Four-Power agreement reached on lifting of Berlin blockade; operative from 12th May.	7th " A "Democratic German Republic" was proclaimed in East Germany.
5th "	Statute of the Council of Europe signed.	8th " Trade Agreement between eastern and western Germany signed in Frankfurt. Communist troops entered Canton.
12th "	Berlin blockade lifted at one minute past midnight.	15th " International Bank granted loan to Finland of \$2,300,000.
23rd "	Federal Republic of Germany came into existence at midnight.	24th " Mr. Attlee announced Government economies of £250 million a year.
25th "	Communist forces entered Shanghai.	27th " M. Bidault elected Prime Minister of France.
21st June	Sweden signed trade agreement with Britain.	2nd November Draft agreement on establishment of United States of Indonesia signed.
8th July	Talks on sterling-dollar balance between United Kingdom, U.S.A., and Canada opened in London.	15th " Tin market "free" in London.
13th "	Conference of Commonwealth Finance Ministers opened in London to consider balance of payments between sterling and dollar countries.	16th " Gift of £A10 million (£8 million sterling) from Australia handed to Chancellor of Exchequer.
14th "	Cut at rate of £100 million a year in dollar imports announced.	24th " The Iron and Steel Bill received Royal Assent.
1st August	International Bank granted loan of \$12,500,000 to Finland.	30th " Labour Party defeated in New Zealand General Election.
3rd "	Statute of Council of Europe in force. Britain concluded Trade Agreement with Brazil.	10th December Chungking occupied by Chinese Communist forces. Labour Party defeated in Australian General Election.
4th	New financial agreement	

blind following of anything which Moscow decrees and the just as blind rejection of friendly overtures coming from the West, mainly the US. In Manchuria is presently carried out a full-fledged program of socialisation; the Mao Tse-tung theory of transition by way of cooperation with private enterprise, for an indeterminate period, is completely ignored and 'Li Li-sanism' (which in effect is nothing else but forceful and uncompromising establishment of a communist state) reigns supreme.

Conditions in Manchuria were, of course, much more amenable to regimentation and to immediate realisation of communism as a system of total public ownership of land and means of production. Already under the Japanese domination, which laid the foundation for the prosperity of Manchuria as well as the contemporary socialisation, the indigenous population was prepared for unquestioned acceptance of the orders decreed by the authority. When the Japanese Kwantung army surrendered and the prestige of Japan was shattered, the Russians reappeared in a not very much different role though they were tagged and feted as liberators and benefactors. Without the Russians, it is true, Manchuria would not have progressed as she did, particularly after the partial devastations of the civil war. That some valuable factory equipment was removed by the Soviet army upon entering into Manchuria has been explained as constituting reparations exacted from the Japanese; and this explanation has been accepted everywhere in Manchuria and no ill-feeling on that score has, in spite of fomenting anti-Russian sentiments by Chinese nationalists, arisen among the population. As far as the people of Manchuria are behind the new government they freely acknowledge the great part which the USSR has played in the creation of the new situation, not only by handing over most of the Kwantung army equipment, selecting of and permitting participation of Japanese officers and technicians in the war campaign and the rehabilitation of plants, but also by placing Russian personnel as advisers and trainers at the disposal of the Manchurian authorities.

The Russian occupation, authorised by a mutually accepted Sino-Soviet treaty, of Dairen and Port Arthur as well as the staffing of the railways with new and old (White Russian) guards and officials has, in an indirect though very effective way, contributed to the quick and thorough expulsion of the KMT regime and its predatory army. While the Russian assistance is often, for political reasons, denied abroad it is emphasised in Manchuria itself and much of the often hysterically pro-Soviet propaganda concerns itself with this point which is constantly belaboured so as to convince the people, if proof was at all necessary, that without Soviet help and guidance the Chinese revolution and the overthrow of the KMT would not have been achieved. Russian soldiers, especially in the first few months when

leading an easy life in the larger cities, especially Harbin with its large Russian (mostly emigres) population, did not always behave well but that is a matter observed everywhere and can, with equal force, be said of the US army and navymen in China and in other countries. Many acts of brutality, such as one is accustomed to hear of soldiers in civil surroundings, were reported and the feelings of the Harbin community were frequently running high because of the lack of discipline by the large Russian army. For some time past, however, the Russian soldiers have been withdrawn and now only officers, mostly not in uniform, and civilians attached to various Manchurian government and military establishments are seen in the streets and public places of Harbin and other larger cities. These Russian officers and others are detailed, upon the request of the Manchurian government, to train and otherwise assist in the creation of a modern army, navy and air force. Behind a very tightly drawn security curtain the training and further world revolutionary indoctrination of selected youths of Manchuria takes place; the number of Koreans, both in the regular army (in China proper as well) and in the CP workers corps, is unusually large reflecting the political radicalism of the Koreans at large and the clever use made of them by the Soviet advisers to Manchuria.

The ground work for Asia's liberation, a la Moscow, is being pushed by the present rulers at Mukden who seem to be as keen as the Kremlin itself to bring about quick results in this self-imposed mission. Only with the exploitation of natural resources in Manchuria, a humming industry geared to the production of war materials and the training and constant replenishment of fighting cadres of the communists can the cause of world revolution, department East Asia, be promoted. Manchuria is today the arsenal of China and if a split between the two major CCP factions can be avoided, which may, if it comes to pass, prove Molotov's superior ability in directing Asian affairs from Moscow, the war potential of new China would have to be viewed with more awe than was heretofore the case. At present, and in spite of the conspicuous victories of the People's Liberation army, the might of new China has been valued at what it was and continues to be: an ill-equipped, (save for some US surplus war materials and by now fully obsolete Japanese war booty handed over by the Soviet army to the Chinese communist forces) and largely untrained though zealous and well indoctrinated force lacking naval and air units, however effective in the type of guerrilla and civil wars of attrition which have been witnessed in China for many years past. As a foe of international importance the Chinese People's Liberation army, supported by a very insignificant war materials producing industry, has been discounted abroad. However, with the promotion of Manchurian war industries, inherited from the Japanese and now being modernised under Russian

guidance and staffed with Russian technicians, the potential value of the army of new China is greatly increased. No doubt, the various Asian emancipation movements (described otherwise as rebels, terrorists, dissidents etc. but nevertheless strong and well led fighting units challenging the rule of the present masters, European or native bourgeois) will obtain important support from the Manchurian arsenals even if this should compromise the rearmament progress of 'red' China.

The industrial development of Manchuria has been remarkable if one is to believe the figures published officially or transpiring from semi-official sources. But even discounting some of these statistics it appears unquestionable that progress in Manchuria in the field of heavy industry and other manufacturing has been fast and well-directed. This success shows, if proof was at all required, that in underdeveloped countries the management of all phases of national economy along socialist lines is superior to and bringing better and faster results than private enterprise. The educated Manchurians, though some of them may not like the methods of the new rulers and dread the future because of the impending 'hotting up' of the cold war, do not disagree with the principle of socialism as applied to industrial and general economic reconstruction in their country. Private enterprise cannot well be expected to manage plants on a national basis, plan for the well-being of the whole community, forgetting about profits and operation on a 'yield' basis. As there was, since the establishment of Manchoutikuo, no bourgeoisie worth speaking of — a feudal superstructure and group of industrial magnates, the latter mostly of Japanese nationality or otherwise termed puppets after Japan's surrender — the construction of liberated Manchuria into a proletarian dictatorship was a matter easily accomplished. All the political power is vested in the workers and peasants of the country whose trustee, as it were, is the communist party, led by the Li Li-san group and fathered by the Bolsheviks. What opposition there was in liberated Manchuria to the dictatorship of the CCP has been easily rooted out during the period of Soviet army occupation and under the popularly accepted slogans of 'wiping out Japanese collaborationists,' at the same time expropriating the Japanese irrespective of merit in the construction of modern Manchuria. Indeed, the conditions of Manchuria as presented themselves during the autumn of 1945 were, from the CCP's point of view, ideal and it was certainly superfluous to proceed in Manchuria along the Mao Tse-tung line of 'New Democracy' when 'stage two' in the Chinese revolution was already, according to the party doctrinaires, breaking upon the gaping Manchurians.

With regard to Manchuria's foreign trade the practical independence of this territory from the rest of China is also evident. With few exceptions private trade is moribund and state

monopoly is taking over more sections of the country's production and marketing of goods. Trade with China, south of Shantung, is conducted practically as if it were foreign trade; regulations are plentiful and foreign exchange comes into the picture—the Manchurian currency, Northeast yuan, and the People's Bank of China yuan quote at different rates, with the NE yuan steadily gaining vis-a-vis the PB yuan, from PB yuan 1 to NE yuan 220 about a year ago to now only 1 to 16. The largest volume of foreign trade flows between Manchuria and the USSR, then come Korea (north, but goods just as well leak across the 38th parallel into south Korea) and Hongkong, but China proper is still the biggest customer of Manchurian products and agricultural and mineral supplies.

The government desires to promote exports for the purpose of earning foreign exchange, including the Soviet rouble, and the regime of austerity at home is therefore getting stricter. The state budget is balanced and the soundness of the currency is not doubted now when government loans were successfully floated, though pressure had to be applied to obtain sufficient funds from the public. Manchuria is peaceful and what brigands and guerillas there are in the more desolate and uninhabited areas cannot endanger the economic stability of the country. Government is firmly entrenched and political opposition does not rear its head. The powerful secret police, organised on approved GPU model, is well equipped to combat any signs of insurrection.

The various nationalities living in Manchuria, next to Chinese there are Manchus, Mongolians, Koreans, Russians, are at no loggerheads and there is, from Japanese days, more racial amity than in many other areas in Asia where more than one race lives. The communist philosophy would not tolerate any racial discrimination but in practice the Japanese are still persecuted and the amount of anti-Japanese propaganda put out by the government and its fully controlled press is, more than 4 years after the end of hostilities, amazing. However, the Japanese are now treated as an American ally and anything which is regarded as in the American orbit meets with most violent diatribes. This sort of fanatic anti-American and anti-imperialist (meaning always the Americans and, after due distance, the British and miscellaneous western Europeans) propaganda should not mislead foreigners into believing that there is any xenophobic bias in Manchuria. On the contrary, the Russians are the object of adulation and praise and this often detestable flattery is achieving almost the contrary. On the whole, the foreign (meaning European) community in Manchuria meets, on the part of the indigenous population, with friendliness and the hospitality of the northern Chinese is, even in these days of bitter austerity, still maintained.

Communications in the country are, by general Chinese standards, excellent which is partly due to the supervision of affairs by Russians. The railways on whose good operations the movement of goods depends to a large degree are by far the best and cleanest in all of China—but Manchuria has actually never been part of China though politically it is claimed as such by KMT and CCP alike. The relatively excellent railway transport is mainly a credit to the effort of foreigners; the Russians, after them the Japanese, and now again the Russians. Civil air transport is not existent but the government is preparing for the early start of an aviation service which in so vast a country as Manchuria is a necessity especially for government and military officers. An air force is being trained, by Russian instructors, and the nucleus of a 'red' Chinese air force has already been created. Highways are repaired and new ones are being built but conditions of roads leave much to be desired. Trucks and other motor vehicles are obsolete, most of them left over by the Japanese, but there are also new arrivals of Soviet Russian made vehicles which are of a modern design and draw the admiration of the masses.

To enter Manchuria today is difficult and even approved traders will not be admitted beyond a port where they desire to carry out their transactions. The policy of the Manchurian authorities remains seclusion of the country and prevention of leakage of information about conditions in the country. The general poverty of the people is a matter which cannot be concealed but the authorities seem not anxious to do that; they make almost a virtue of this state of affairs, they preach simplicity and frugality and exhort the people, in following the new way of life, to discard all concepts of 'American' pursuit of happiness. As the people in Manchuria have never been much acquainted with other people's way of life it is simple to maintain the standard of poverty in Manchuria. Food is however plentiful and housing, of the most primitive type, available.

Time seems to stand still in Manchuria and progress is noted only in industrial production the fruits of which activity however are not benefitting the native population. The establishment of the perfect socialist world, as conceived by the communists, is a matter of great stress and strain and sacrifices are gigantic; rather than proceed step by step to the goal desired and, possibly preordained by historic development of mankind, the communists do not want to lose time and wish to accomplish in this generation what might otherwise take a century. The price the people have to pay is, in the age of potential plenty and in an age where a few countries enjoy an immensely superior standard of living, poverty, austerity and dejection. But there is, dangling before their noses, the treacherous 'silver lining' of a cloud which may eventually lift and reveal the millenium.

The Situation in Shanghai

The recent heavy bombing of Shanghai warehouses, factories, the power plants and shipping in harbour has proved that the victory of the Chinese People's Liberation army was not so much achieved by virtue of their own superiority but by default of the KMT, the all-corroding graft and corruption of that ill-fated regime, the large-scale defection of army commanders and troops, the lack of morale and the widespread ready acceptance of the communist promises of a new era of prosperity for the Chinese people. Without an effective air force the Liberation army is, in fact, impotent. That until only recently KMT air raids were not carried out with the serious intention of inflicting damage to the war potential of the enemy has come as a great surprise to the Chinese themselves. One could only infer from the passivity of the KMT air force or from the inefficiency with which such air raids were conducted that loyalty in Taiwan was very unreliable and that further defections were imminent. Therefore, the stepped-up air attacks as well as the more vigorous enforcement of the KMT blockade of Central and South China ports indicate that there has been a change in the political and military position in KMT China (Taiwan and Hainan) which, most probably, was due to a successful cleaning-up process inside the KMT and the high command as well as participation of Japanese personnel in the KMT air offensive. That Japanese are taking part on both sides in the civil war in China has been known for long; probably the communist side enjoyed, from the time of the surrender of the Kwantung army in Manchuria, more aid and advice than the haughty regime of Chiang Kai-shek.

Shanghai is now entering a more grave stage in its history than at any time during the last world war and the period following the debacle of the KMT army at Hsichow (which sealed its fate and made the crossing of the Yangtze and the subsequent conquest of Shanghai foregone conclusions). Continued air raids may paralyse all activity in Shanghai and lead to interruption of the rehabilitation work now so strenuously pushed by the communists. Thus the worries of the citizens of Shanghai of the past are bound to be eclipsed by more serious developments.

During the last 8 months of Shanghai's life under the rule of the new administration some progress was noticed but austerity has become ever more depressing. As a result of the blockade of the port and slow operation of manufacturing enterprises producing for export markets, there was an almost catastrophic dwindling of foreign trade—which remains the principal activity and, in fact, the *raison d'être* of the city. Trading firms were forced to liquidate or to maintain a skeleton staff and as the majority of employed persons are found in commercial enterprises the number of those unemployed, always great in Shanghai, rose to over one million. Factories were simultane-

ously laying off workers and the only big new employer was the government with its innumerable new departments and bureaus. But the pay received by government employees was hardly sufficient to keep one man alive, on the average less than HK\$ 100 per month were and continues to be paid to government employees, but the Chinese family is usually comprising 4 and 6 members. With opportunities of 'squeeze' fading and the communist authorities as keen as ever on rooting out that traditional evil from Chinese society, there is much dissatisfaction among the majority of Shanghai's salaried and wage-earning classes. It is the policy of the government to reduce earnings and discourage spending which fact is felt all over the city and by everybody, high and low.

The 'surplus' population is on the increase; in an essentially so parasitic community as Shanghai a very large number of people was always living on their wits, crime in all shades flourished, and unskilled persons abounded. To get rid of the unproductive masses is a problem which the new masters failed to solve. The army of unemployed persons is finding ever more recruits on account of stagnation of commerce and low operation of factories; and while some months ago the 'back to the country' move was widely publicised and a few tens of thousands actually left or were made to leave the outflow was, to a good deal, balanced by immigration from the hinterland, such newcomers usually being distressed and, unskilled like most of their brothers in China, unable to find any employment in the big city. Street hawking and selling of shabby belongings has for a time maintained the crowds of semi-destitutes but now all reserves are gone and poverty has become a menace to society. There are some 5 million people in Shanghai but at most one million is regularly gainfully employed; women and children from usually 14 years on are expected to work in China just as well as men and therefore the actual number of unemployed is tremendous. Odd jobs and casual coolie work may provide some people with scanty earnings but, by & large, unemployment has become a very urgent and almost desperate problem which the authorities seem unable to tackle.

The percentage of daylight robberies and other more serious crimes is on the increase reflecting more civic insecurity and growing desperation. In the hinterland but especially in Pootung there are many bands of brigands holding whole villages to ransom and pretending often, as was the case in the days of KMT rule, that they were actually 'patriotic' guerrillas'. Small groups of KMT supported guerrillas do operate in the Shanghai area and it is again Pootung in particular where the new authorities have not yet been able to restore full order. With more settled economic conditions the danger of robber gangs could be met with confidence and the KMT supported guerrillas would also prefer another and less precarious life than they are leading now for want of anything better. It is extreme poverty which drives so large

numbers of Chinese into crime and warring for mercenary motives only.

Politically the communists have little to fear from a cowed opposition; the masses are satisfied with the doctrine and practical interpretation of 'New Democracy' and while there is grumbling and cursing directed against everybody nobody envisages the return of the KMT — that regime has gone for good and cannot count on any public support. However, the possibility of a union of leftist KMT leaders and some democratic and other middle-of-the-road politicians, now sitting together with the CCP in Peking, is not ruled out. But for the time being there is no trace of a political opposition. The legions of political workers of the CCP see to it. These young people, often middle school boys and girls, wield great power but do not abuse it. A few cases of serious misconduct of political workers (including indoctrinators, reeducationists, agents) have become known and severe punishment has been meted out to such bad elements. On the whole the public reposes trust in the integrity of the CCP and its functionaries and this trust has only rarely been abused.

Strict enforcement of taxation while a constant source of irritation and objection is nevertheless by all men of sound mind approved and money received by the government is put to good use for the benefit of the community. Praise where praise is due, the authorities are clean-handed and give little if any cause for complaint as regards administration. But the framing of policies is often opposed, however, the administration is not concerned with that and has faithfully to carry out what is being decided from on high. The dictatorial regime, though styled a people's democracy, is ruling with a firm hand and the best the common people can do is to hope that the policy makers are men of good will and adequate intelligence and experience.

Capitalists have nothing to complain — apart from slump in business generally, cessation of foreign trade, decreasing purchasing power which are matters connected with the progress of civil war and not imposed by the new government. 'New Democracy' protects the profit-seeking enterprises and even encourages the establishment of what is called small and medium private firms in domestic and foreign trade, in any form of production and transportation. But the entrepreneur spirit is lacking; the bold and imaginative merchants and financiers have either gone into hibernation or left the country (for Hongkong, Thailand, the Philippines, if admitted, and more far). Earnings from house rent are good and landlords are satisfied; everything is on a parity deposit unit basis which means in effect that rent is calculated in terms of essential foodstuffs and commodities (which make up the basis for the calculation of the weekly figure of the parity deposit unit). Tenants are less satisfied as they no longer enjoy, as in the happy inflation days under the KMT, the benefit of paying practically valueless paper in return for occupying space in a house for which the owner, besides wishing to earn his own living, has to

pay maintenance and repair. Capitalists are now no longer upset about the future which, at the time of the change-over last May, appeared very dismal indeed. 'New Democracy' works out — as long as it lasts which depends on orders from Moscow — to the benefit of the possessing classes.

Workers, after the early flush of victory and salary and wage raises, have had to come down from the high horse and in line with the austerity campaign of the CCP their unions have to ask for continual wage reductions — requests which are immediately acceded to by the management, private or public (the latter term meaning enterprises owned and/or operated by the government or a government agency). In return for poorer living conditions workers receive adulation and are called heroes and the pillars of society; and all the factories in which they work are said to be owned by them. But these honeyed words do not deceive the rather smart Shanghai proletariat that the age of plenty is still far off and that there will be much hardship and austerity before the worker and his prolific family can take it easy and really obtain, according to Karl Marx, the full 'surplus value' due them by right of their toil.

To level off differences the CCP is anxious to discourage spending; taxation is one effective means (being often grotesquely applied e.g. in case of a private home party when 50% of the expenditure for food, drink and other entertainment has to be paid as a tax to government); exhortation to be thrifty, to buy government bonds, to save money in form of parity deposit units, to intimidate night club revellers and habitues of mondaine amusement places, are other methods. In this campaign, to be sure, the eager party and political workers encounter opposition which must, of all places, be expected in so contradictory a city as Shanghai where luxury and extreme destitution live side by side. Political workers have often shown impatience with their luxury-indulging adversaries and rumours have subsequently gained currency that sooner or later a blood bath in the truly Russian revolutionary fashion will have to be staged so as to rid 'the people' of the bad elements. These elements are a motley crowd composed as they are of imperialists, compradores, running dogs of foreign oppressors, Japanese spies, 'obstructionist intelligentsia', etc., the wellknown Soviet vocabulary of political terminology being freely translated, for this and similar purposes, into Chinese — where it makes even more ridiculous reading than in English. The overzealousness of many party workers does some harm to the great cause and, cynical as Shanghai always has been, the tedious courses of indoctrination and reeducation are a source of a lot of fun which, however, does not penetrate into the press but is of the subterranean type.

The immediate outlook, on account of the latest development in the air war, is grim and a new wave of allegedly well-to-do emigrants is wending its way to the south, looking to Hongkong — as did several waves before — as a haven and a paradise. But the exodus

Prospects of Economic Rehabilitation of New China and the Future of Foreign Trade

(From a Special Chinese Correspondent in North China)

Observers in the English speaking world are very often committing the mistake in considering China as a Communist state and her Government a Communist executive Politbureau. This biased opinion has repeatedly been contradicted by the spokesmen of the Peking Government (though not approved by the powers that be in Mukden) and one can prove this by studying the measures the People's Government of China is adopting since before the official inauguration at Peking.

Realizing that the socialization of mankind cannot be achieved overnight and by the use of force, and guided by the special consideration that the economic structure of the Chinese nation has been badly deranged by the results of the late Sino-Japanese war and the corruption and exploitation of the Kuomintang bureaucrats, the new Chinese Government is devoted to the task of saving the Chinese people from wholesale economic bankruptcy and has, therefore, adopted the policy of the so-called people's new democracy. For an interpretation of this term in the economic sphere one must always bear in mind that the new government is not going to abolish private capitalism as a whole but will permit small and middle enterprise to function for a very long period while establishing a new form of "State Capitalism." This will not mean the nationalization of the entire industrial and commercial enterprises of China and at the same time the undermining of private initiative in the national economic life, but to watch and guide that the development of all economic activities should be co-ordinated and be subordinated to the goal of national welfare. In short, the economic policy of the Chinese Government is not socialization, but planned economy. Agriculture which is the foundation of the Chinese economic life, industry as well as commerce are to enjoy full protection and encouragement of the Chinese People's Government—that is the official explanation and, to judge by facts as observed in North China, there is nothing to doubt about the govt's sincerity.

Based on the new national policy adequate measures have been taken and regulations successively issued with the aim that private industries and commercial enterprises may develop freely within the scope as prescribed by the authorities.

Being a merchant from Hongkong the writer is chiefly interested in the status regarding foreign trade between China and oversea countries. At least for the time being the agricultural and industrial development of China will be

dependent upon the development of international trade. Taking the instance of agriculture, in certain areas where the land reform has already taken place, the farmers are suffering from the lack of fertilizers, cattle, better seeds and rural implements. Besides some better methods and organizations like co-operative societies of rural credit, more scientific production, utilization of hand, sales policy have to be introduced to help the farmers to obtain a better result for their labour. The above mentioned essential articles must be imported in large quantities and paid by export of the surplus of the agricultural produce. Much more so this is the case with the Chinese industry. Machines, tools and parts must be bought abroad to repair the destroyed mines, utilities, factories; and industrial plants must be repaired and modernised. Besides these materials the Chinese also need technical advice and foreign skilled labour. The question is therefore always raised how China is going to pay for these materials and services.

From the fiscal point of view the Government is obviously interested to keep international trade and payments in a proper balance, possibly in favour of China. Until very recently foreign trade has therefore been carried on in the form of barter, but the latest regulations have terminated the barter trade and made imports subject to import permits and exports to the surrender of proceeds abroad at official, but nearly realistic quotations. At a recent Cabinet meeting at Peking it has been decided that the export of vegetable oils, furs and skins will be returned to private business firms. The Government will, with a few exceptions, entrust foreign trade to the more expert hands of private persons, but without foregoing the control by means of import permit and foreign exchange surrender. Policy in Peking is now, after some dabbling in direct state trading, that China will through mostly private firms not import more than she can afford to pay with the proceeds of her exports. In other words, all imports needed by agriculture and industry as well as a great deal of consumers' goods are to be paid largely in agricultural produce and by-products, minerals and other natural resources. Therefore, the extent of China's imports is necessarily limited by the amount of her exportable commodities.

Due to war and civil disorders the volume of Chinese exports has greatly decreased as compared to pre-war times, but China must now increase her imports unless the nation is content to be left far behind while other nations are making rapid headway towards their economic recovery and progress. How can imports be increased, is the problem.

During the time prior to the last war the balance of trade had always been unfavourable to China whereas the

balance of foreign payments was adjusted by overseas Chinese remittances, foreign loans and investments in China, and lately the UNRRA shipments, U.S. gifts and other more invisible exports. At the present time invisible exports are almost non-existent. This means that the Chinese economic recovery is almost frustrated. The losing of markets abroad is another serious development.

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Then what is to be done to rectify the rot in China's trade?

Cooperation with all countries, irrespective of political schemes and ideologies, is imperative. The Soviet Union, while mighty and successful in many ways, is not the country to which China can, and shall, look for exclusive assistance. It is true that the new government in Peking has Moscow as its staunchest ally and cannot expect, at least for the time being, much sympathy from America. But for the future rise of China foreign help is indispensable and this can only come from a combination of all nations interested in the prosperity and stability of the Far East.

Peking, it seems, is not at all engrossed on relying solely on Moscow but, under present conditions, what can there be done to break the stalemate? There is, in Peking, much hope for an eventual normalization of Sino-American relations; ill-feeling among the people, on account of US help to the KMT and the alleged responsibility of the US in dragging out the civil war, is if ever it was strong now fading and inspite of some interested political manoeuvres in Peking and Mukden, intended to sow more distrust between China and the US, the common people desire nothing more in foreign relations than cordial friendship with America—the country known for its traditional generosity, the country of plenty, "God's own country." The development of China would appear to be dependent on all-round friendly relations of China with the nations of this world. Devastated China, weak and undernourished, cannot afford to side with one and oppose another. It is against logic, against the self-interest of the Chinese people; and this is felt everywhere in responsible circles in North China.

The clue to solution of the economic distress in China is found in the field of foreign policy. Without foreign assistance China's recovery will be slow and painful, but foreign goodwill and aid cannot be expected if the present 100% pro-Soviet foreign policy is maintained. New Democracy in China, eventual socialisation, that is alright but in keeping with Chinese traditional methods of achieving results, it would appear necessary for the wellbeing of the Chinese people that resumption of genuinely friendly relations with all foreign nations is no longer delayed. Then, and only then, can one start talking about constructive programs of building China up and vitalising her foreign trade.

is now on a small scale compared with the previous crowds and the opportunities offered in Hongkong, so terribly overcrowded a place, are getting few and far between.

PROBLEMS OF POST-WAR OIL SALES BY AMERICAN & BRITISH COMPANIES

(By Walter J. Levy)

The oil resources of the world have been developed and are accordingly owned largely by American and British or British-Dutch oil companies; oil entering international trade is thus sold by these companies either for dollars or for pound sterling.

During the first few years after World War II, all the oil that could be produced was in fact sold, and supply considerations were predominant in the trade. Now that the world supply situation has eased considerably, the problem of what currency is required for the purchase of oil — dollars or pound sterling — has become a decisive factor in the trade. This factor has introduced the problem of the relative availability of dollars and pound sterling of the importing countries of the world.

As a result of the devastation and destruction of World War II, many foreign countries have been dependent for recovery on vital supplies of agricultural goods and industrial machinery from the United States. They have, however, been unable to produce sufficient goods for shipments to the United States with which to procure the necessary dollars to pay for their imports from the United States. Everywhere dollars are desperately needed. Large dollar grants and investments have been made by the United States to speed world-wide recovery. Nevertheless, dollars remain a scarce currency. Moreover, even if these countries were able to make more goods available for the United States market, it is doubtful, for a variety of reasons, whether the United States market would be ready to absorb such imports. The problem of the world dollar shortage is, therefore, not only the problem of how the foreign countries can balance their imports from the United States by increasing their exports to the United States, but also how the United States can balance its exports to foreign countries by increasing its imports from foreign countries.

In contrast, pound sterling is a currency that has been more easily available in international trade. In order to finance its war effort, the United Kingdom not only liquidated the major part of its foreign assets, but also incurred large foreign debts. Moreover, the United Kingdom is traditionally a trading country which imports a large part of its food and raw material requirements in return for its exports of manufactured goods and certain commodities. Therefore, in the post-war period, pound sterling has been more readily obtainable by various countries, either as a result of their current trade or as a result of the liquidation of the war debts incurred by the United Kingdom.

One can readily assess the importance of these facts for the international oil trade. Dollar oil and sterling oil are usually defined in accordance with the

nationality of the producing companies; that is, dollar oil is oil produced and sold for dollars by American companies, and sterling oil is oil produced and marketed for pound sterling by British or British-Dutch companies. In practice, this simple definition requires most careful application and sometimes modification to solve equitably the infinite variety of cases that do arise in the international oil trade. Moreover, the British exchange control authorities, through their control over the use of sterling balances held by sterling area countries as well as foreign countries, actually determine how much and what kind of oil may be purchased by those countries for sterling. To that extent at least the British Government controls all sterling payments for oil that are made in international trade.

The cost structure of the international oil trade makes it imperative for American companies to receive at least some dollar return from their sales of petroleum products. Shipments from the United States must, of course, be paid in dollars. However, production from American-owned foreign concessions, such as in Venezuela or in the Middle East, also involve sizable dollar expenditure for equipment, American personnel, royalties, local payments of wages and taxes, and the profits of the American stockholders. The remaining costs of their foreign production may be incurred in the local currency of the country concerned or in pound sterling, particularly if dollar oil is produced in the sterling area or by jointly owned American-British companies.

British production too involves a considerable dollar expenditure for items similar to those listed for the American companies. However, the British oil companies, with the assistance of the British Treasury, are able to convert pound sterling into dollars to the extent of their approved needs. On the other hand, they must deliver all their foreign exchange income from their worldwide trade to the British Treasury for conversion into pound sterling. This is how exchange control operates in any country which has introduced such controls in order to regulate its foreign exchange income and expenditures.

As a result, British oil companies need not demand payment in scarce dollars from foreign countries for their oil, but can accept full payment in the more abundant pound sterling. However, it is known that on net balance the operations of the British oil companies cost the British Treasury a very sizable amount of dollars, so that each barrel of British oil sold for a soft currency involves an appreciable expenditure of dollars by the British Treasury.

The British companies, in view of what has been said, thus enjoy a considerable trading advantage over their American competitors. The oil-consuming countries of the world, faced with a dollar shortage, are trying to minimize their dollar expenditures.

Since oil is a standard commodity and oil from one source may be readily substituted for that from another source, oil that can be purchased for pound sterling will, in general, be preferred over oil for which dollars must be paid. It is likely that such currency considerations will be more important to the importing countries than the maintenance of historical trade patterns or the possibility of obtaining supplies from a cheaper dollar source rather than from a more expensive sterling source.

If the present expansion plans for the world-wide development of sterling oil production are carried out, and if consumption in the Eastern Hemisphere during the next four years should increase by some 6 to 7 per cent a year, sufficient sterling oil appears to be available to satisfy not only all sterling oil market requirements but also more than the estimated increase in total foreign oil requirements during this period. Because of the great dollar shortage in nearly every one of the consuming countries, it is likely that the British and British-Dutch companies could sell all that they plan to produce for soft currencies at the expense of outlets for American oil.

If that should be the case, dollar oil sales during the next four years are likely to remain at, or even fall somewhat below the 1948 level. This in turn would necessitate a very serious cutback in exports from the United States and also a cessation of development programs for the expansion of American-owned production in other Western Hemisphere countries and in the Middle East. The stability of American concessions and the economic and political well-being of those countries where U.S. oil companies operate would obviously be put in jeopardy if American oil developments are stymied at a time when British projects in the same or neighboring countries proceed at an unprecedented rate.

Even with the best intentions on all sides there remains a most serious problem for American oil to maintain its outlets in the dollar-short countries of the world. The American oil industry has recognized this problem and appears to be prepared to adjust its operations as much as possible to the exigencies of the situation. Among other measures, American oil companies may undertake to reduce the dollar cost component of dollar oil through fuller utilization of supplies and services of soft currency countries. In addition, American companies are building refineries in many of the importing countries in order to reduce the dollar cost of imports to the various countries by supplying cheaper crude oil to them rather than more expensive finished products. It may well be possible that the American oil industry might by all these means reduce the dollar costs for its production to a figure that may not substantially exceed, or perhaps not exceed at all the dollar costs of British oil.

There will, of course, remain the difference that American companies must ultimately be able to show a profit in dollars and transmit that dollar

profit to their stockholders, whereas British company profits will be accumulated in pound sterling. However, this dollar profit element is obviously dependent on many conditions, such as prices, source of supply, etc., and its size can not be predicted over any period of time. It is likely, too, that the rate of return that prevailed during the immediate post-war period will not be maintained and that the total dollar cost imposed by a reasonable transfer of profits will be small compared with the total value of oil imports, and insignificant if weighed against the issues at stake.

After adjusting their operations American oil companies may thus be in a position to sell their oil partly for dollars and partly for local currency. The dollar payments should, of course, cover their reduced dollar costs and some reasonable dollar profit. The companies must also be permitted to use the remaining local currency for the purchase of equipment and services needed in their world-wide operations. Similarly, there exists a variety of circumstances under which the American companies should obtain the permission of the British Treasury to sell their oil to non-sterling countries for sterling, again with the right of converting some part of that sterling income into dollars and using the remaining income for purchases of supplies and services in the sterling or soft-currency area. At present, the British exchange authorities would not permit the transfer of sterling from a non-sterling country to an American oil company for the purchase of oil. Such a policy, if maintained, would exclude American oil companies from participating in sales to countries which possess sufficient pound sterling to purchase all their oil from British companies.

It is true that British oil companies can expand their sales only if (a) they possess sufficient oil to supply the additional quantities, and (b) the British Treasury permits them to increase their trade in line with its over-all foreign trade policy. However, as there is likely to be a surplus of British oil, which could only be marketed at the expense of established dollar oil outlets, the British Treasury must either grant such permission or the oil could not be produced. If, therefore, the British Treasury should grant such permission and the oil is produced and is sold, all the difficult economic and political issues described here would be raised. On the other hand, any possible advantages that would accrue to the British economy from such a course would appear to be small or non-existent, provided of course that the American oil companies are prepared to contribute their share to the solution of the dollar-sterling oil problem.

Such a solution of the dollar-sterling problem will no doubt require time before it can become effective. It presupposes willingness on all sides to compromise and to adjust present operations and thinking to a new and difficult situation.

As long as the United States and the rest of the world are unable to balance their payments, there is no perfect

Economic Developments in Shanghai, Tientsin and Peking

SHANGHAI

For the period of January 10-17, 1950.

First part of the week under review was marked by rapidly rising commodity prices led by rice which was curbed somewhat by close government supervision and heavy dumping operations. Although prices had dropped considerably by January 13, this was offset by another rise occasioned by mid-month payroll demands and collection of taxes in kind at rice producing areas.

The Chinese press expressed the belief that as a result of British recognition of the People's Govt. of China, Chinese-held assets of over US\$100 million in Hongkong will now be available for productive enterprises on the Chinese mainland.

Banking and Finance:—As a result of heavy commodity selling in the first part of the week, the money market tightened, sending the official interest rate up to 1.6 percent and the curb rate to 2 percent by January 12. On the previous day the total of bad checks issued reached PB\$6.2 billion (equivalent to US\$335,000 at prevailing official exchange rates), the highest amount since November 26. In addition, three native banks were suspended at the time for failure to balance their accounts. The three-day period was reminiscent of the last week in November when the city's economy was shaken by price inflation.

Despite the inflationary trend, however, no adjustment was made in official foreign exchange rates until January 16, which marked the first upward revision in two weeks. US dollar rates were increased to PB\$23,000 for commercial drafts and to 20,700 for currency notes. Rates for pound sterling were advanced to PB\$56,000 for telegraphic transfers and to 36,750 for notes, while Hongkong dollar rates were raised to PB\$3,500 and 2,450 respectively. While black-market rates went up accordingly, they were still between the cash and TT rates as before; official and black market rates remain practically the same.

While the price for gold remained at PB\$620,000 per ounce to buy victory

solution to the dollar-sterling oil problem. But the approach suggested here would tend to narrow the dollar gap of the importing countries. It would be of great benefit to them, as it would stimulate their production of materials, equipment and machinery, and would make American know-how and outlets available to them. This would be a genuine contribution to an increase in world trade and to a balancing of international payments. American oil would then not only continue to maintain its essential role in the supply of the world, but would also be instrumental in encouraging the production of materials and the provision of services by foreign countries for international oil development.

bonds, the black market in gold further increased to PB\$800,000 by January 17. The Bank of China realized PB\$10 billion from the sale of victory bonds in Shanghai in the first 10 days of January.

The crossrates work out as follows: US\$2,435 per £, HK\$657 per US\$100 (approx. like Hongkong free market rates), HK\$16 per £ (according to London-Hongkong parity of 1s. 3d., a relation which only a short while ago was not observed in Chinese financial market where often HK\$17 to 18 quoted £1). Gold crossrates per 1 oz troy are, on the basis of the official price, US\$27, and on the basis of the black market price US\$34 1/4 (or 25 US cents below the US Treasury price of \$35).

On the Shanghai black market where regular though not large business is transacted buyers of foreign exchange do not always find cover. Holders of foreign currency and funds abroad, if in need of Chinese currency, obtain about the same amount in PB\$ from the official Bank of China as black market operators are prepared to pay. As a result the resources of the black market dwindle and just barely meet demand of buyers of funds abroad or foreign currency notes. That the black market rate remains on the same level as official exchange rates reflects decreased demand for black market exchange funds (i.e. less if any flight capital and also less concern about the stability of living conditions in China with resultant growth of confidence in the new Chinese People's money).

The commodity price rise reduced the purchasing power of the US dollar in relation to the parity deposit unit from 7.11 to 5.76 in one week. For the week under review the pardep advanced from 3,644 on January 10 to a new high of 3,917 on January 17. The ratio between the dollar and the unit was but 5.87 at the end of the week.

Inward remittances for December totalled PB\$494,931 million and PB\$485,302 million outward representing increases of 42 and 43 percent respectively over November.

Foreign Trade:—Petroleum: Importers of petroleum and other lubricants expect increased shipments as a result of British recognition. (Over 70 percent of Shanghai's factories are still dependent upon liquid fuel).

Tung Oil: The major portion of Szechuan tung oil is stranded at Hankow while authorities debate its onward movement to either Shanghai or Canton with the latter now offering the earliest possible export date. The recent decline in the London price of tung oil is possibly another delaying factor.

Cotton: The North China Foreign Trade Control Bureau has issued licenses for the purchase of US\$2 million of raw cotton.

Export shipments of bristles, tung oil, silk, feathers, and tea bricks have received an extension of rail freight

reductions until June 30. To this list has been added egg products, yolk, and albumen.

State Trading:—Hog Bristles: Advance payments by the State Trading Company for the purchase of hog bristles were raised 70 percent after dealers complained of lowered market prices.

Kerosene: The Shanghai Trading and Trust Company, a new state-operated enterprise, has entered the retail kerosene field.

All state trading organizations are to be insured with the state-operated China People's Insurance Company, the capital of which has been doubled.

Industry:—**Loans to Business:** The People's Bank announced that a total of PB\$117.9 billion has been loaned to Shanghai privately-owned public utilities since the take-over while a total of PB\$297 million was advanced to publicly-owned utilities. The total of all business loans for the same period is reported as PB\$197 billion.

Textiles: The former China Textile Industries Inc., now state-controlled, hopes to produce 95,000 bales of cotton yarn and 2 million bolts of cotton cloth in the first quarter of 1950.

Public Utilities: December power output of the Shanghai Power Company was up 2 million k.w.h. over November with the majority of the increase being used in textile mills.

Transportation:—Double track line has been completed between Peking and Tientsin with the first train scheduled for January 19. Shipping the "SS Flying Arrow's" cargo from Tsingtao to Shanghai will probably tie up the Peking-Shanghai Railway's line for over 2 weeks.

Commodities:—Frenzied buying on January 10 forced the price of rice up to PB\$230,000 a picul. Heavy dumping by the authorities, however, reduced the market turnover by an average of 69 percent on the following day. The latter levelling off was, however, offset by another rise in prices as mid-month pay checks were spent in the commodity market.

It was during the initial price rise that the press carried the first mention by authorities that high prices were caused by fears of rice shortages. The announcement was made that 200,000 tons of rice were to be shipped from Szechuan before April and that the Northeast area was sending 50,000 tons. However, these figures far outweigh existing transport facilities.

A comparison of commodity prices on January 16 with the previous week is shown in the following table:

Commodity	Unit	Jan. 9	Jan. 16
		PB\$	PB\$
Rice			
(1st grade)	172 lbs	200,000	210,000
Flour	49 "	56,000	62,000
Pork	Catty	4,800	4,000
Beef	"	4,400	4,600
Oil (soybean)	"	4,000	4,200
Bricks			
(briquettes)	215	260	
Cloth	40 yds	160,000	170,000
Sugar	Catty	4,300	4,240
(A catty is equal to 1.1023 pounds).			

Income Tax:—Income tax regulations covering the Shanghai area for 1949 are as follows: The tax will be collected only for the last four months of 1949, and will become payable by March 31, 1950, although each profit-making enterprise must file its financial statements with the tax bureau for calculation of the tax by February 28, 1950. Aside from (1) government operated enterprises, (2) cultural, journalistic, and benevolent enterprises operated for profit specially exempted by the authorities, (3) manufacturers of newly invented articles, and (4) specially exempted cooperative societies, all private enterprises operated for profit are subject, without discrimination as to nationality, to the same tax schedule and procedures. However, certain manufacturing enterprises in the iron and steel field, manufacturers of electric generating equipment, liquid fuel, acid and soda industries, coke, and shipbuilders are entitled to a 20 percent reduction in taxes; whereas certain other categories of manufacturing industries, including public utilities, are entitled to a 10 percent tax deduction.

The tax rates are fixed on a sliding scale rising gradually from 5 percent on the excess between PB\$500,000 and 1,000,000, up to 20 percent on the excess above PB\$30,000,000. (At the official rate prevailing on the date of promulgation—PB\$10,000 to US\$1.00—this means there would be a tax rate of 20 percent on profits in excess of US\$3,000 for the 42 months' period). The regulations permit the calculation of inventory at the current price, or original price adjusted in accordance with the index of wholesale commodity prices, presumably to avert taxation of unrealized profits arising from inventory appreciation.

* * *

For the period of January 18—23, 1950

The week was marked by an apparent checking of the rise in rice prices which started after the market was reopened on January 3. Significantly, the word "shortage" appeared in the Shanghai press for the first time since the takeover as the cause for the price spiral. The price of rice, which had gone up 52% in five days, was followed by varying increases registered for other staples. While local authorities have again succeeded in quelling the current inflationary trend through heavy dumping operations, the respite is only temporary, and even sustained efforts at the expense of the hinterland, cannot overcome this year's rice deficit and lack of food imports.

Banking and Finance:—On January 20 alone, 25 banks were warned against illegal loan transactions as the inflationary spiral set off speculative activities. Interest rates were up as the money market tightened, apparently from heavy purchase of victory bonds. For purchasing these latter, the price of gold still remained at PB\$620,000 per ounce although the price in the black market had further increased to PB\$900,000 per ounce.

All foreign exchange rates remained the same despite the increase in prices. That is, commercial draft and currency rates were: US dollar, PB\$23,000 and 20,700; pound sterling PB\$56,000 and 36,750; and Hongkong dollars, PB\$3,500 and 2,450. The U.S. dollar black market rate still remained between the cash and telegraphic transfer rates as previously.

New highs were set on each succeeding day for the parity deposit unit rate which on January 23 reached 4,719, an increase of 802 over January 17. Thus, with no change recorded in exchange rates over the week, the ratio between the US dollar and the unit dropped steadily from 5.67 on January 18 to 4.87 on January 23.

Foreign Trade:—The cargo of the "SS Brooklyn Heights," including cotton, gasoline, and newsprint, was set at US\$8 million.

Cotton:—Although the Shanghai press continues to stress the urgent need of raw cotton and gives heavy play to arrivals, imported quantities of raw cotton are relatively small.

Shanghai importers were again warned to secure an extension on letters of credit covering undelivered imports prior to January 31; if no extension is made the foreign exchange approved for such imports must be turned back to the authorities.

After February 1, imports of yellow phosphorus are to be banned as a health measure for match factory workers.

Tea: 30,000 cases of tea have been scheduled for export in February.

Transportation:—Both rail freight and passenger rates were due to be increased by 25% on January 24. This, however, does not affect the previous 50% reduction made for export cargoes.

Commodities:—**Rice:** As usual, the Shanghai authorities took strenuous action against the current threat to the city's economy. Thus far, the Shanghai Food Company has dumped 16,369 short tons of rice this month as against private sales of only 13,393 short tons. Early in the week, the company made retail sales of rice at 15% below the market price. Finally, on January 21, when the price shot up to PB\$320,000 per picul, the authorities ordered that the trade agreed upon a fixed price which was to be posted daily in all retail rice shops. On January 23 the price of rice was announced as PB\$294,000. Meanwhile, the authorities announced impending heavy arrivals of rice, although some papers carried stories of famine conditions in the same areas. In this connection it was reported that exports of rice from the Hankow area have been banned because of the shortage there.

Ever since the price rises in the latter half of November, government sales have constituted a large share of all commodity transactions. On January 23 the following percentages of the market turnover were commodity dumpings: Rice, 50%; wheat flour, 65%; oil, 27%; cotton yarn, 45% and cotton cloth, 95%. Despite these heavy dump-

ings, however, prices of all commodities showed an increase over the previous week as shown below:—

Commodity	Jan. 23	Change over	
		PB\$	(Percent)
Rice (1st grade)	294,000	+ 28,58	
Flour	80,000	+ 22.50	
Pork	6,800	+ 41.18	
Beef	5,300	+ 13.21	
Oil (Soybean)	4,900	+ 14.29	
Bricks (briquettes)	260	—	
Cloth	188,000	+ 9.58	
Sugar	4,700	+ 9.79	

* * *

TIENTSIN

For the period of December 30, 1949

—January 6, 1950.

Foreign Trade:—The North China Foreign Trade Control Bureau in the period March to December 28 authorized a total of US\$51.6 million for exports and US\$47.9 million for imports, thus claiming to achieve a favourable trade balance. Egg products topped the list of exports with 12.38 percent of the total. Imports comprised gunny bags, 27.31 percent; industrial and chemical materials and metallurgical products, 47.11 percent; machine oils, 5.9 percent; and magazines and paper, 5.12 percent.

Foreign exchange transactions for the week ending December 31 totalled US\$968,933; £55,157; HK\$2,259,678; and R400 or the equivalent of US\$1,485,007 representing a 39 percent increase over the previous week.

Banking and Finance:—The People's Bank in Tientsin provided an aggregate of PB\$177.5 billion as loans and overdrafts for production purposes to December 15. Factories and industrial establishments owned by the state were allotted 75 percent of the total with private enterprises getting 23 percent. 10,000 private industries and business firms in Tientsin benefitted.

Official exchange rates for the US dollar, pound sterling, Hongkong dollar, and ruble remained unchanged.

Commodities:—Prices of leading staples over the past week revealed increases both as measured by local currency and US dollar equivalents as compared with the previous period. The retail price of rice advanced from PB\$1,100 on December 29 to PB\$1,250 on January 6 while the US dollar equivalents went from 5 to 5.4 cents. Flour prices increased from PB\$56,000 per 49-pound bag to 60,000 with the US dollar equivalents rising from \$2.43 to \$2.61. On the same dates the wholesale price of cloth increased from PB\$140,000 per bolt to 145,000 or from US\$6.08 to \$6.30.

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For the period of January 7—13, 1950

Foreign Trade:—The North China Foreign Trade Control Bureau in Tientsin reported that, in the period from March through December 1949, it had approved export licenses involving the equivalent of US\$53,883,959 and import permits aggregating the equivalent of US\$51,407,343. The export figure comprised the following: Yield from the

surrender of foreign exchange at official rates, US\$15,061,868 (27.95% of the total); for barter, US\$38,074,131 (70.66%); and those items not requiring the surrender of foreign exchange, US\$747,959 (1.39%). The import total was made up as follows: Imports with self-provided foreign exchange, US\$7,623,971 (14.83% of the total); barter imports, US\$36,946,066 (71.87%); and those without foreign exchange requirements, US\$6,837,305 (13.30%). Hongkong topped the list of trading countries with approved export permits involving the equivalent of US\$22,460,847 (41.68% of the total), and import permits aggregating US\$30,401,474 (59.13% of total approved import applications).

(It is presumed that those goods above not coming under foreign exchange requirements, both imported and exported items, comprise samples, daily necessities, private gifts, and donations involving no commercial transactions, the value of any shipment limited to the equivalent of US\$10 as set forth under the North China provisional foreign trade regulations announced on March 15, 1949).

Foreign exchange transactions for the week ending January 7, 1950 totalled US\$679,755, £80,327, and HK\$1,285,889 or the equivalent of US\$1,110,414 representing a decline of one-third from the previous week.

The Tientsin Navigation Administration placed total import tonnage in 1949 at 755,762 tons and vessels carrying exports at 742,956 tons. At the same time it is estimated imported goods at 141,838 tons and exports at 170,726 tons.

Finance:—Official foreign exchange rates remained unchanged over the week under review. Commercial draft rates were as follows: US dollar, PB\$23,000; pound sterling, 64,400; and Hongkong dollar 3,498.

Industry:—The Tientsin Industrial Board reported that it had achieved production increases in its 25 factories ranging from 29 to 498% during 1949. This organization, which controls match, oil, tobacco, and rubber factories, plans further production increases in 1950 with concurrent reduction in expenses of from 10 to 40%.

Agriculture:—In 1949 the state owned North China Food Company supplied over 45,000 tons of cereals to appointed cereal shops for public sale, representing 17% of the total quantity the company handled.

The Egg Products Manufacturers Association placed last year's output at 1,573 tons of albumen and yolk. Four new egg factories, three private and one government, were scheduled for operation in Spring.

* * *

PEKING

For the period of December 21, 1949
—January 9, 1950.

Internal Trade:—The North China Native Produce Company from November to the end of December purchased over 7,000 tons of various commodities including nuts, seeds, medicinal herbs. November exports included almonds, beancake, walnut meats, and strawbreads which realized about PB\$20 billion in foreign exchange (or about US\$1 mil-

lion). The North China Food Company began to lay in food supplies for the Spring. About 5,000 tons of grain arrived daily in December from Manchuria for storage in Peking, Tientsin, and elsewhere in North China. The Company is also making large shipments of Manchurian coarse grains to famine and cotton areas in North China.

Industry:—Iron and Steel: With the closing of the All-China Iron and Steel Conference, plans have been completed for the preliminary restoration of the iron and steel industry with production tasks, new engineering projects, and outlets for investment determined. Manchuria is the key point in these plans.

Agriculture:—The peanut acreage for North China in 1949 was 3,756,000 mou (approximately 626,000 acres) in Hopeh Province and 1,000,000 mou (about

Financial Reports

HONGKONG FREE MARKET

Highest & lowest quotations of last week, in HK\$:

Gold: per .945 fine hongping tael 292½—286½, equivalents per .99 fine tael 306.42—300.14, per .99 fine or 254.65—249.43. Week's opening rate 286.5%, closing 288.7%. Crossrates per fine oz US\$388¾—38½. (Overseas fine oz prices in January: New York 41½—40¾, Zurich 41¼—40½, Tangier 42¼—41.)

Macao and Canton prices (per .99 fine hongping tael) 308¾—298; and 308—286 respectively.

Forward market gold interest, in favour of sellers, for the 7 days' week \$0.87 or on last week's mean rate of 289½ per tael a yield of 15.6% p.a. (\$45.14 for the year).

US\$: notes 653¾—645¾, DD 653—646, TT 656½—648 (week's opening 648, closing 650½), corresponding to crossrates of US\$2.437—2.469.

Overseas free market rates for area account sterling during January: New York 2.56—2.52, Zurich 2.65—2.55, Tangier 2.68—2.60. Sterling securities rates during Jan.: New York 1.85—1.75 for government bonds, 1.95—1.65 for industrial shares, 2.40—2.20 for South African mining shares. Respective Zurich rates for securities: 1.65—1.55; 1.60—1.55; 2.25—2.15. In transferable account group highest unofficial rate is for Brazilian sterling (2.74—2.65), lowest rate for Danish sterling (2.52—2.44).

Silver: per .99 fine hongping tael 4.95—4.90, per Chinese dollar coin 3.13½—3.10½, per 5 pcs. of 20 cents coins 2.90—2.85.

Bank notes: Piastre forward 12.65 per 100 piastres (against official bank's selling rate of HK\$1=3.55 piastres while free market sells at about 7.90 piastres). Nica guilders 22.90—22.20. Baht 28½ (per 100 foreign currency units).

British pound 15.40—15.30 (in New York from US\$2.42—2.46), Australia 13.30—13.20, Canada 5.60—5.58, India 1.11—1.10½, Burma .88—.80, Ceylon 1—.98, Malaya 1.81½—1.81.

167,000 acres) in Pingyuan Province. Total harvest was estimated as 1,150 million catties. Prices at harvest time, however, were very low due to a weak demand of oil mills fearing heavy taxation. Though the authorities tried to support the price by taking peanuts as a substitute for taxes on grain, the effect was not great.

The North China agricultural machine factory outside of Peking reported the production of 4,000 pieces of new type agricultural machinery and 1,200 odd sets of accessories for tractors completed in eight months. The goal for 1950 is the completion of 50,000 pieces of agricultural machines.

Transportation:—The Pinghan and Hankow-Canton railways were completely restored, having resumed traffic operations on January 1 and December 28 respectively.

Philippine peso 2.37—2.23 which means a devaluation of peso on free market, vis-a-vis the US\$, of about 27% (one peso officially equals 50 US cents or at free market rate HK\$3½).

Chinese Exchange: Canton remittances per HK\$100 in Canton: 99½—95¾; Shanghai transfer of gold per 100 ozs. in Shanghai: 86—82½; of US\$ per 100 in Shanghai: 97½—93½.

Hongkong Unofficial US\$ TT and Gold Quotations

(in HK\$ per US\$100 and per .945 fine hongping tael)

	Gold	TT	New York
February	High	Low	High
6	288½	286½	649½
7	291½	287	654
8	292½	289½	656½
9	291½	288½	652½
10	292½	289½	651½
11	290½	288½	650½

* * *

Japanese Foreign Exchange Rates

Foreign Exchange Control Board established on January 16 the following exchange rates:—

Spot Dealings. Rates used by authorized foreign exchange banks and money changers (exclusive of inter-bank dealings).

	Per 1 U.S. dollar	Per 1 Sterling pound
T.T. selling	¥ 360.35	£ 1,008.98
T.T. buying	¥ 359.65	£ 1,007.02

On On
New York London

Buying rates for sight bills ... ¥ 359.15 £ 1,004.91

Forward Dealings:—

(1) Rates applicable to exchanges for 30 days forward.

Per 1 U.S. dollar:—1.20 Japanese yen higher than spot. Per 1 Sterling pound:—8.36 Japanese yen higher than spot.

(2) Rates applicable to exchanges for less than 30 days forward.

Per 1 U.S. dollar:—T.T. selling rate plus, ¥0.04 per any fractional days. Per 1 Sterling pound:—T.T. selling rate plus ¥0.11 per any fractional days.

New Interest Rates

The Policy Board of the Bank of Japan on January 18 decided to reduce the rate of interest charged on city bank loans along the following lines.

	New Rate % p.a.	Current Rate % p.a.
Bank of Japan ..	8.76	9.49

1. Trade bills (rediscountable at the Bank of Japan .. 8.76 9.49
2. Other loans and discounts loans for ¥5,000,000 or upwards 9.125 9.855

loans less than	
¥5,000,000 ..	9.49
An additional interest of 3.65 per mille may be charged on these loans subject to approval from the Board.	9.855
3. Overdrafts ..	10.22
	10.95

Hongkong Stock Market

Last week has witnessed a "rapprochement" between Labour and Capital and as a consequence an improvement in sentiment has set in on the Exchange. The turnover has been on moderate lines and quotations, in the main, have marked a small though steady appreciation throughout the week.

The following dividends have been announced:—H.K. & Shanghai Hotels dividend \$1 and bonus 25 cents, both free of tax. Humphreys Estates dividend of \$1 free of tax. "Star" Ferry, \$9 free of tax.

Business reported during the week: \$1,420,386 (shares sold 76,188).

Highest & lowest rates and sales:—

	High	Low	Sales
H.K. Bank ..	1510	1500	45
Canton Insurance ..	315	315	165
Union Insurance ..	640	640	142
Asia Navigation ..	1	1	14,000
Wharves ..	107	107	500
Mid-Point Wharves ..	5½	5½	1,500
H.K. Docks ..	18½	17½	600
C. Provident ..	11¾	11¾	1,237
Wheelock Marden ..	29	29	1,200
H.K. & S. Hotels ..	11.60	11½	3,423
H.K. Lands ..	49	49	250
Humphreys ..	10½	10½	2,250
H.K. Tramways ..	16	15½	12,875
China Lights (O) ..	12	11¾	4,345
do (N) ..	8.85	8½	7,257
H.K. Electrics ..	29¾	29	6,096
Telephones ..	18	17	1,150
Caldbeck Macr ..	24	24	1,000
Cements ..	25	23½	8,100
Dairy Farms ..	42	40	880
Watson ..	50	47½	2,250
Sinceres ..	3.80	3.80	500
China Emporium ..	10	10	525
Sun Co. ..	2½	2½	720
Kwong Sang Hong ..	105	108	56
China Entertainment ..	16½	16½	550
Vibro Piling ..	15	15	400
Chartered Bank ..	—	—	—
Shanghai Kedah ..	2¾	2½	3,500
Alina Estate ..	14	14	100

SHARES AND BROKERS

The number of shares listed at the Stock Exchange here amounts to 62 of which only 18—22 can be considered loans listed but transactions only rarely take place. Ten Shanghai companies have their shares listed here. A total of 27 rubber plantations' shares are listed here but business is very infrequently recorded and then only in a few companies' shares.

Several companies should be struck off the Stock Exchange list as transactions in their shares have either never or only a long time ago taken place.

The list members of the Stock Exchange Ltd. comprises 56 firms (59 individual members). The maximum number of members is stipulated to be 60. The business of the Exchange is entrusted to an elected committee which is presided over by Mr. N. V. A. Croucher.

**HIGHEST & LOWEST QUOTATIONS
OF STOCKS AND SHARES AT THE
HONGKONG STOCK EXCHANGE
DURING THE YEAR 1949**

Stock	High	Low
H.K. Govt. 4% Loan	\$103	\$100
Do. 3½%, (1934)	\$101 3/4	\$100
Do. 3½%, (1940)	\$101 3/4	\$100
Do. 3½%, (1949)	\$102 1/2	\$100

Banks

H.K. & S'hai Banking Corp.	\$1870	\$1390
London Register £106 1/2		£90
Bank of East Asia, Ltd.	\$150	\$105

Insurances

Canton Insurance Office, Ltd.	\$375	\$305
Union Insce. Socy. of Canton Ltd.	\$750	\$625
China Underwriters, Ltd.	\$6.30	\$5
H.K. Fire Insurance Co., Ltd.	\$270	\$215

Shipping

Douglas Steamship Co., Ltd.	\$200	\$200
Hongkong, Canton & Macao Steamboat Co., Ltd.	\$11	\$11
Indo-China Steam Navigation (Preferred \$89 1/2 Co., Ltd. (Deferred \$203	\$89 1/2	\$200
Union Waterboat Co., Ltd.	\$32 1/2	\$22
Eastern Asia Navigation Co., Ltd.	\$1.15	\$0.60

Docks, Wharves & Godowns

Hongkong & Kowloon Wharf & Godown Co., Ltd. (O)	\$142	\$100
Do. (N) \$134		\$100
North Point Wharves, Ltd.	\$7 1/2	\$4.80
Shanghai & Hongkew Wharf Co., Ltd.	\$18	\$10
Hongkong & Whampoa Dock Co., Ltd.	\$29 1/2	\$15
China Provident Loan and Mortgage Co., Ltd.	\$19 3/4	\$10 3/4
Shanghai Dockyard, Ltd.	\$12 1/2	\$6
Wheelock Marden & Co. Ltd.	\$32 1/2	\$25

Mining

Raub Australian Gold Mining Co., Ltd.	\$5.70	\$3.85
Hongkong Mines, Ltd.	\$0.015	\$0.015
Lands, Hotels & Buildings H.K. & S'hai Hotels, Ltd.	\$16	\$9.10
Hongkong Land Investment & Agency Co., Ltd.	\$68 1/2	\$44
Shanghai Land Investment Co., Ltd.	\$4	\$1.70
Humphreys Estate & Finance Co., Ltd.	\$15.10	\$9
H.K. Realty & Trust Co., Ltd.	\$2.10	\$1.80
Chinese Estates, Ltd.	\$140	\$140

Public Utilities

Hongkong Tramways, Ltd.	\$21 1/2	\$14
Peak Tramways, Ltd. (O)	\$20	\$18
Do. (N) \$9 1/2		\$9 1/2
Star Ferry Co., Ltd.	\$142	\$85
China Light & Power Co., Ltd. (O) \$15.80	\$10.10	\$10.10
Do. (N) \$11.80		\$7.05
Hongkong Electric Co., Ltd.	\$41	\$28
Macao Electric Lighting Co., Ltd.		\$20
H.K. Telephone Co., Ltd.	\$35 1/2	\$17 1/2
Shanghai Gas Co., Ltd.	\$4	\$1 1/2

Industrials

Green Island Cement Co., Ltd.	\$42	\$19
Hongkong Rope Manufacturing Co., Ltd.	\$22	\$11 1/2

Stores, Etc.

Dairy Farm, Ice & Cold Storage Co., Ltd. (O)	\$45	\$29
Do. (N) \$44 1/2		\$29
A. S. Watson & Co., Ltd. (O) \$63 1/2		\$39
Do. (N) \$59 1/2		\$39
Lane, Crawford, Ltd.	\$25	\$17
Sincere Co., Ltd.	\$7	\$4 1/2
China Emporium, Ltd.	\$11 1/4	\$8
Sun Co., Ltd.	\$3.40	\$2.40
Kwong Sang Hong, Ltd.	\$142	\$98
Wing On Co., Ltd.	\$106	\$72

Bank of East Asia, Ltd.

The 31st ordinary annual meeting of shareholders of the Bank of East Asia, Ltd. was held in Hongkong on February 11 when the venerable chairman of the board of directors, Sir Shouson Show, made his report. The Bank of East Asia, one of the principal financial institutions in Hongkong and of old standing and enjoying a leading position also in China, Indochina and elsewhere in the Far East, convened the first annual meeting of any Hongkong public company for the year 1949. The splendid working results of the Bank are in good measure due to the able management of its affairs by Mr. Kan Tong-po, chief manager, and Mr. Li Tse-fong, manager.

The year 1949 represented another year of excellent earning and considerable progress in the history of the Bank. The net profit for the year including the Balance brought forward from last year's account amounts to \$3,264,526 which shows an increase of more than \$870,000 as compared with that of the previous year. Taking into consideration the present disturbed and unsettled conditions throughout the whole world, the result of the year is highly satisfactory which was chiefly due to the growth of business in all departments and the steady increase of customers. But owing to the prevailing conditions in this part of the world, overseas remittances have been adversely affected but normal conditions may soon be restored when this line of business would resume its former activity and produce better results.

Since the inauguration of the Bank's safe deposit boxes about thirty years ago, clients who make use of this service, have found it most useful and satisfactory. In order, therefore, to cope with the growing demand, the Bank will soon increase the number of safe deposit boxes by the installation of several thousand new boxes in the main vault.

The construction of a new building for the Saigon Branch has been completed. There is a good demand for office space in this new building and nearly all the office space have been fully taken up.

The grand total of Assets and Liabilities of the Bank stands at the record figure of over \$79,000,000 showing an increase of more than \$11,000,000 over that of the previous year. The increase is mainly to be found under the headings of Current Deposits and Foreign Credits. This sign of steady growth and progress during the year

under review is an indication of the increasing confidence of the general public in the Bank.

In view of the uncertain condition of the world, the Bank was operated on a conservative basis. As a result available cash at the end of 1949 stood at the very high figure of over \$56,000,000 which includes over \$47,000,000 in ready cash and about \$9,000,000 in Government securities. This total is greater than the total of customers deposits.

The payment of \$6 as dividend and \$3 as bonus per share is \$1 more than that of the previous year. A sum of \$1,500,000 was transferred to the Reserve Fund, thus bringing this account to a total of \$3,500,000 which is more than one third of the Bank's present paid-up Capital.

Distribution of profit:-

Dividend of \$6 per share on 100,000 shares	\$ 600,000
Bonus of \$3 per share on 100,000 shares	300,000
Transfer to Reserve Fund	\$1,500,000
Transfer to Reserve for Corporation Profits Tax	100,000
Carry forward	\$764,526

Payment of dividend and bonus is subject to the deduction of Corporation Profits Tax (10%).

Miscellaneous

China Entertainment & Co., Ltd.	C. Rts. \$43 1/2	\$39
Do. X Rts. \$18		\$14
H.K. Engineering & Construction Co., Ltd. (O)	\$5	\$2.30
Do. (N) \$43 1/2		\$1.20
Shanghai Loan & Investment Co., Ltd.	\$2 1/2	\$1 1/4
Yangtsze Finance Co., Ltd.	\$5	\$2.40

Cotton Mills

Ewo Cotton Mills, Ltd.	\$11	\$4
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COMMERCIAL MARKETS

Congested Warehouses

In the "Far Eastern Economic Review" of August 11, 1949, (Vol. 7, No. 6, page 187), reference was made to the state of congestion in the Hongkong warehouses which was due to the chaos existing in China and the anxiety of merchants to deposit their goods in the safety of Hongkong.

Now, owing to an opposite cause, the warehouse situation has again become acute, the problem having been brought into being by the inability of merchants to get their goods into China, thwarted by the restrictions upon certain imports imposed by the Communist authorities and by the K.M.T. blockade of ports, which caused the return at various times of shipments despatched to Shanghai which had failed to run the blockade. Wharf and godown companies can no longer provide even the normal seven days' free storage for certain classes of goods, i.e., paper, raw cotton, cotton yarn, wool tops, gunnies, caustic soda, sulphate of ammonia, bleaching powder. Consequently, as a matter of prudence, most banks are refusing to issue open letters of credit to importers unless the application is accompanied by a certificate from the Hongkong General Chamber of Commerce that storage space can be provided and that delivery will be accepted "ex ship's tackle." This stipulation applies only to the above eight categories of cargo.

It is clear that the present state of affairs is temporary and that as trade expands with ports other than Shanghai, such as Tientsin and Tsingtao, which is increasingly taking place, the movement of goods from Hongkong into China will become accelerated, thus easing the situation. At the same time China has always been handicapped by the lack of railways and good roads and has relied mainly upon sea transport, which is not so good when it can be curtailed as at present through one cause or another.

The possibility that the congestion may last for some time longer has consequently to be faced by importers, especially as large shipments of goods are due to arrive shortly and will have to be disposed of somehow. A certain quantity can be landed at Singapore and shipment of other cargoes can be postponed, but this is not always convenient, and importers are therefore obliged to consider some other means of dealing with the problem.

One suggestion, which it is understood will have the approval of the H.K. Marine Dept. if approached on the subject, is that the eleven vessels of the China Merchants Steam Navigation Co. which are at present moored in the Yaumati anchorage should be utilised as transit godowns, thus contributing greatly towards relieving the congestion and also enabling the ships to contribute something towards their

expenses. The tonnage of the 11 vessels ranges from 2,000 to 3,000 tons and they would be capable of accommodating over 20,000 measured tons of cargo. The company defected to the Communists at the turnover, and the ships are under threat of bombing should they leave Hongkong. To use them as transit godowns would only involve keeping the cargo for seven days, which would obviate most of the difficulties attendant upon storage for a longer period. No dangerous goods would be stored in them.

Hongkong-Japan Trade

Trade with Japan is always of great importance to Hongkong, and it is particularly so at the end of the year when it is of interest to know whether the Hongkong Govt.-S.C.A.P. Two-way Account under which business with Japan is transacted shows a credit or a debit balance. The Trade Returns issued by the H.K. Dept. of Commerce and Industry tell only part of the story, as although from these Returns it would appear that there was an adverse balance against Hongkong for both 1948 and 1949, in actual fact this was not the case, as an adverse balance of about US\$2½ million for 1949 was offset by a credit of nearly \$3 million carried over from 1948. Imports from Japan to Hongkong are adequately covered in the Trade Returns, but exports can only be partially shown, for the reason that orders placed by Hongkong merchants with dealers in

China or Taiwan for delivery in Japan are frequently shipped direct and consequently cannot appear in the Trade Returns, although a licence for their export has to be obtained from the H.K. Dept. of Supplies and Distribution and the amount is taken into account when working out the balance.

Trade between Hongkong and Japan amounted to about US\$40 million for 1949 and the following figures give the value of the main items of Chinese produce (the purchase of which was financed from Hongkong) exported direct from China to Japan during 1949 through the Two-way Account which are not shown in the Trade Returns:

Soya Beans US\$4,219,655
Sugar 3,630,871
Soya Bean Cake 2,610,170
Iron Ore 1,154,079

Rice from Thailand

Under a new agreement which it is hoped will shortly be signed, the British Govt. has undertaken to purchase 409,000 tons of rice from Thailand during the current year at £40 per ton, half the price to be paid as soon as the rice is loaded aboard ship and the remaining 50% to be settled on delivery. It has been agreed that the quality of the rice will be guaranteed which means, if this stipulation is honoured, that the cost will be somewhat lower than last year, due to less loss on the rice. Hongkong's allocation will amount to 100,000 tons.

Shanghai's Foreign Trade

Although the KMT blockade of Shanghai has handicapped the trade of the port to a considerable extent, it has not succeeded in stopping it altogether, as figures recently issued by the Chinese Maritime Customs show. During the second half of 1949, outgoing shipping totalled 10,406,985 tons, and exports amounted to 121,583 quintals valued at US\$9.3 million. Tea was the most important export, totalling US\$2.2 million or 23.66% of the whole; bristles came next with US\$890,000 or 9.57%; and tungoil was third with US\$830,000 or 8.92%. Details are given below:-

	Equi- Weight (quintals)	Value in PBs	Value in US\$ (000 omitted)	Per cent.
Tea	22,827	1,793,540	2,200	23.66
Bristles	1,800	466,998	890	9.57
Tungoil	18,986	435,168	830	8.92
Cotton textiles	1,728	395,506	680	7.31
Piecegoods	1,636	408,788	610	6.57
Furs & Hides	19,426	167,131	470	5.05
Feathers	3,142	301,745	410	4.41
Silk	517	134,736	300	3.21
Intestines	1,211	215,598	280	3.01
Cotton Yarn	2,016	115,346	250	2.69
Straw Hats	295	258,423	230	2.47
Sheep's Wool	6,131	173,196	220	2.37
Peppermint	98	86,342	210	2.26
Egg & egg products	1,778	124,463	110	3.18
Miscellaneous	39,933	1,108,742	1,610	17.31
Total	121,583	6,193,276	9,300	100.00

Motor Accessories

The local agents of the Chinese People's Government were engaged in making considerable purchases of motor accessories during the last quarter

of 1949, parts for GMC trucks for military purposes being chiefly required. Statistics issued by the H.K. Dept. of Commerce and Industry for the year show that imports of motor accessories (rubber tyres, electric parts, chassis with engines and engines accepted) amounted to HK\$8.37 million while exports totalled \$7.3 million; of these exports \$3.69 million or 50.5% were despatched during October, November and December:

	Imports	Exports
	\$	\$
January	203,497	210,862
February	339,150	687,705
March	522,925	387,708
April	462,826	343,925
May	995,496	526,247
June	557,295	253,074
July	742,799	276,539
August	916,371	597,185
September	726,016	332,296
October	826,984	334,680
November	890,199	1,946,426
December	1,137,078	1,408,775
Total	8,370,636	7,305,836

Hongkong's Manufactures

Exports of locally-manufactured goods from Hongkong during the month of January, under certificate of origin or Imperial Preference certificate, amounted to \$9,704,802, an increase over the amount of \$8,758,255 for December and of \$7,458,229 for November, and 38% above the monthly average of \$7,029,855 for such exports in 1949. Knitted wares came first in January with exports to the value of \$2,070,644 or 22% of the total; rubber shoes to the amount of \$1,972,990 and cotton piece goods \$1,035,604 came next in value.

The table below gives full details of locally-manufactured goods exported as mentioned above:-

Imperial Preference Certificates and Certificates of Origin Issued, January, 1950.

	Quantity	Value
Knitted Ware	122,680 doz.	2,070,644
Rubber shoes	951,753 pairs	1,972,990
Cotton Piece Goods	947,360 yards	1,035,604
Enamel Ware	127,486 doz.	699,065
Shirts and clothing	13,990 doz.	627,811
Cotton Yarn	483 bales	502,050
Fire Crackers	4,312 cases	313,602
Flashlight Torches	16,042 doz.	338,472
Printed Paper	25,360,000 sheets	161,624
Feathers	249 piculs	381
Umbrellas	4,232 doz.	130,103
Buttons	4,574 Gt. grs.	227,267
Matches	21,700 boxes	11,646
Vacuum Flasks	2,539 doz.	107,321
Socks	4,128,000 boxes	102,604
Bulbs for Flashlights	1,668,000 pieces	80,648
Kerosene Lamps	2,618 doz.	77,343
Toys	15,459 doz.	73,821
Camphor Tablets	20,300 lbs.	65,131
Hurricane Lamps	2,419 doz.	64,044
Watch Bands	6,275 doz.	59,252
Seagrass Twine	840 bales	53,027
Cosmetics & Perfumery	1,651 lbs. (13,413 doz.)	48,472
Plastic Ware	3 sets)	42,682
Ropes and Twine	3,917 doz.	
Pencils	32,733 lbs.	40,133
Mosquito Destroyer	4,032 gross	39,749
Camphorwood Chests	28,200 boxes	38,775
Glassware	392 pieces	36,715
	1,340 (gross)	36,442
	7,160 doz. (13,413 pieces)	
Hardware	15,536 doz.	36,208
Rattan Ware	3,325 sets	35,296
	1,181 bales (2,618 pieces)	
Rattan Cane & Peel	389 piculs	
Mats & Matting	17 piculs (44 piculs)	33,697
	140 pieces (470 bales)	

	Quantity	Value
Paints, Varnish & Lacquer	16,978 lbs.	33,651
Hats & Caps	7,065 doz.	30,747
Batteries	18,940 doz.	28,617
Iron (Charcoal)	390 doz.	22,645
Ginger	22,472 lbs.	21,032
Needles	5,135,000 pieces	18,517
Embroidery	555 doz.	16,235
Machinery	5 no.	16,212
Canned and Preserved Foods	6,851 lbs. (13 doz.)	9,811
Handkerchiefs	2,100 doz.	9,865
Leather Shoes	1,093 pieces	8,167
Proprietary Medicines	4,000 doz.	8,135
& Chinese Medicines	1,528 catties)	
Soap	15,000 lbs. (24 gross)	4,153
	996 lbs.	4,104
Tea	996 lbs.	4,104
Fish & Fishery Products	455 catties	3,012
Sugar Candy	3,800 catties	2,666
Towels	250 doz.	2,550
Gourmet Powder	21 doz.	2,421
Shoe Lace	60 gr. prs.	2,160
Leather Ware	5 doz.	1,482
Cotton Thread	60 gross	1,429
Rubber Ware	260 lbs.	751
Bean Sticks	313 lbs.	588
Candles	4,500 doz.	381
Bird Nest	2 lbs.	140

Following are particulars of the countries to which the above goods were despatched during January, 45% or \$4,429,753 going to Great Britain. Countries such as the U.S.A. which do not require a certificate of origin are not shown in this table:-

Shipped To	Amount
United Kingdom	4,429,753
Malaya	785,425
Australia	763,771
British Empire other	700,715
British West Indies	586,797
British West Africa	391,824
Pakistan	345,050
Union of South Africa	301,947
Thailand	279,206
British East Africa	264,068
India	135,644
Portuguese East Africa	133,761
Germany	122,152
Ceylon	89,968
Egypt	82,300
North Borneo	79,483
Central America	50,778
New Zealand	43,866
Syria	33,251
Denmark	33,050
Iraq	21,244
France	11,975
China	7,473
Indonesia	5,250
Burma	5,051
Total	\$9,704,802

Hongkong at the British Industries Fair

The local British Industries Fair Committee, in its 1949 report, reviews inter alia the response elicited by the overseas displays of Hongkong manufacturers:-

Vacuum Flasks: There were heavy enquiries from all parts of the world. The types and quality met with approval but the price was too high and not competitive with world prices, in particular with the prices prevailing in the United Kingdom.

Rubber Shoes: There was world wide demand for rubber shoes. Unfortunately the largest exhibitors did not provide price lists. There was special interest in children's wellington boots, but buyers would prefer to see a better finish on some of the articles.

Torches: The demand was insistent and prospective purchasers seemed well satisfied with the quality of the products on view. There was an even larger demand for torch bulbs. Prices, however, must be watched carefully in future.

Enamel ware: There were many enquiries for these articles, particularly plates of the medium sizes. A large unsatisfied demand for this ware exists in England. The quality was considered adequate but price was only just right, and if British output expands at a lower price, the markets which this product has within its grasp will fade overnight. In the long term, a reduction in price is essential.

Needles, screws and small hardware: It would be quite impossible for Hongkong factories to supply the requirements of the enquiries at the Fair for these articles. It should be pointed out that the demands which were made for needles, screws and the like, were not because price and quality were exceptional, but because delivery from other sources of supply is impossible. If, however, other supplies become available, Hongkong needles and screws will have to improve in quality if they are to be marketable. The prices of these products will also need to be carefully watched.

Hurricane Lanterns: The same story is told over hurricane lanterns. There are markets for these because of the lack from other sources and the long delivery dates from European countries. When once these are overcome, however, Hongkong lanterns will not sell unless there is a sharp reduction in price.

Buttons: There were many enquiries for buttons, particularly fresh water shell buttons and mother of pearl buttons. There is, however, need here for some improvement in quality. First quality buttons must be uniform in colour and there were complaints that even the buttons as exhibited were not all of a uniform whiteness.

Aluminium Ware: Comments on the aluminium ware were encouraging and buyers were impressed with the quality of the products. Price, however, is the limiting factor and until prices are made competitive with those prevailing generally in other parts of the world, Hongkong manufactured aluminium will not make much headway.

Textiles: There is a strong demand through the world for Hongkong textiles. Britain was particularly interested in khaki drill but of a heavier quality than that which was exhibited. Overseas, some of the striped piece goods were in strong demand. Price was generally just on the right side but any markets which are obtained as a result of exhibiting at the Fair, will only be retained by lowering costs of production in Hongkong. The quality of most exhibits was good, but some textile exhibitors lost out because they did not send detailed price lists and samples.

Ginger: Experience at the Fair showed that there exists a large unsatisfied demand for ginger throughout the world. Buyers came from all over the world, and it would have been possible, if the selling of exhibits had been allowed, to dispose of the ginger exhibits one hundred times over to a public which looked hungrily and with envy at this attractive display.

Silk Textiles: These attracted much comment and admiration, particularly the made up embroidery ware. Yet many would-be buyers realised that these luxury articles cannot be imported into their countries to-day on account of the import restrictions. There is no doubt, however, that a wider market for embroidery and silk materials can be found if and when the various countries of the world succeed in solving their overseas payment difficulties.

Rope: Hongkong rope was much admired on account of its quality. Good manila hemp rope is a luxury in any country. A large order would have been forthcoming from Sweden, but here again, import restrictions told against Hongkong.

Toys: Apart from rubber toys, which brought many enquiries, metal toys were a failure. This was due to quality which, in spite of exceptionally cheap prices, cannot compete with the excellent metal toys which are being made in other parts of the world. There is a big market for toys, but cheap metal toys command no markets among buyers who normally visit the B.I.F.

Canned Goods: Foodstuffs: Many of these articles were in big demand. The United Kingdom can take any amount of tinned foodstuffs, particularly tinned fish, and Hongkong manufacturers are advised to concentrate on these commodities.

Paints: The price of paints were too high, especially since supplies are becoming available from other countries. If Hongkong paints are to sell outside the Far East, there is need for more attractive packing than is at present the case. For example, a can of paint must have a most attractive label if it is to sell.

Rattan Ware: Seagrass: One exhibitor supplied seagrass mats for the floor of the Hongkong stall and this exhibit received the approbation of countless visitors to the stall. Rattan ware, too, brought a large number of enquiries, and if import licences are forthcoming, there is a boom time ahead for Hongkong rattan industry.

Magnetite-ilmenite Development in China.

After 3 years of work, the Metallurgical Research Institute of the Enterprise Department of the North China People's Government has successfully concluded research in the extraction, refining, and utilization of vanadium-bearing magnetite-ilmenite. This important ore is produced in Tamiao and Heishan districts of Luiping hsien, Jehol Province. Of outstanding importance was the discovery of a method whereby vanadium and magnetite-ilmenite could be extracted economically from the ores.

The vanadium-bearing magnetite-ilmenite in the Tamiao and Heishan districts is the only source of vanadium and magnetite-ilmenite yet discovered in China. In 1929 the Peiping Geological Institute discovered iron deposits in the districts but did not recognize the importance of the mine. It was not until 1937, when the Japanese occupied Jehol and research work was carried

out for 1 year that vanadium and magnetite-ilmenite were discovered. Shortly after this discovery, the Japanese invested capital in the area to exploit the deposits. At Shuan-t' ashan, Luiping hsien, an ore selection center and power plant were set up. A plant with equipment for producing 180 tons annually was built in Chinching, especially for refining vanadium ore. Japan had secretly shipped the vanadium by submarine to Germany. The ilmenite contained in the ore was shipped to Japan. On the eve of VJ-Day, Japanese engineers burned all the records of their technical research, consequently the know-how was lost to the Chinese and the entire process had to be rediscovered.

Preliminary estimates place the mine's deposit at about 2,000,000 tons, but some geologists have discovered outcroppings of similar ore in Miyun and Tsunhua, considered to be an extension of the Luiping mineral vein. The ore has strong magnetic qualities, and is steel-gray in color, estimated to contain 55 percent iron, 14 percent magnetite-ilmenite, and 0.3 percent vanadium.

Tungsten Production in Thailand

Production of wolfram in Thailand, after reaching a postwar peak of 74.8 tons in April, declined thereafter to a low of 35 tons in June. Since then output has increased to 54.8 tons in August. Production for the first 8 months of 1949 totaled 450 long tons, equal to the total output in the entire year 1948.

The 1948 rate is considerably short of war-time output of wolfram in Thailand but more than double the pre-war level. Wolfram production in Thailand, which began in 1937, averaged 253 tons annually in the prewar years 1937-40. Stimulated by a shortage of tungsten in the Axis countries during the war, the Japanese pushed production to a peak of 1,578.9 tons in 1942. For the period 1941-45, wolfram production in Thailand averaged 1,080.9 tons annually.

Wolfram mines are situated in southern Thailand, mainly in the Province of Nakorn Sritamaraj. Last year wolfram mining was also started in Mae Sariang in Mae Hongson Province in northern Thailand.

Essential-Oil Exports from China

Declared exports of essential oils through the port of Shanghai to the United States in the first 9 months of 1949 consisted of 900 pounds of peppermint oil, valued at US \$3,610, and 26,400 pounds of citronella oil, valued at \$23,732.

Musk exports to the United States in the period under review amounted to 24.5 pounds, valued at \$10,939.

Cement Production

Shanghai:—The cement industry in Shanghai is beginning to improve but at a slower pace than other industries. Of the five cement plants in this area, on October 31, two were producing at a daily output of 2,500 bags and one at a monthly rate of 20,000 bags. A

fourth plant resumed operations on June 1, with a maximum capacity of 200,000 bags a month, and worked 40 days up to the end of October. The fifth plant, which produces white cement used in the manufacture of ceramic brick, showed no signs of reopening.

Indochina:—Cement is the largest single industrial product of Indochina. The plant, located at Haiphong, produced 81,887 metric tons in the first 8 months of 1949, which was a 49 percent increase over the 55,088 tons produced in the same period of 1948. A further increase is expected now that one kiln, damaged since the war, has been repaired. Exports also are rising; movement is primarily to Hongkong and Macao.

Tung-Oil Situation in China

China's production of tung oil in 1949-50 (season began in November) is estimated at 100,000 metric tons, a decline from the 115,000 tons produced in 1948-49, which was the highest quantity since prewar years. The indicated exportable surplus is 65,000 to 70,000 tons which, together with the unmarketed portion of last season's output, could enable exports in 1949-50 to equal the peak shipments of 85,000 tons in 1947-48, if marketing conditions were normal. However, it is doubtful if 50,000 tons will be available in the current season, because of the acute shortage of river transportation and the effects of the Nationalist blockade. The tendency toward increasing exports to the U.S.S.R. also may reduce the availability of tung oil to other destinations. Normally, the United States is the principal market for Chinese tung oil, taking about 75 percent of prewar exports.

Arrivals of tung oil at Shanghai, the principal port of shipment for China's vegetable oils and oilseeds, are limited. A total of only 1,500 tons is estimated to have been received between May and December 1949. Tung-oil stocks at Shanghai early in December were believed to total not more than 200 tons; 200 to 300 tons were at Hankow. There were larger stocks in Chungking and Wanhsien, estimated at 6,500 tons, but the difficulties encountered in river shipping are the main obstacles in bringing out these supplies. River traffic normally improves in the spring, but the current shortage of shipping and the risk of air attack are still impeding arrivals.

Tung-oil exports from China in the 12-month period which began in November 1948 were estimated at 51,726 metric tons, of which 75 percent was shipped out before the Communist occupation of Shanghai in May. Since the political change-over, the port of Hongkong has assumed the major role in the tung-oil export trade. Shipments through Shanghai, during the months May-October amounted to only 1,580 metric tons, of which about 70 percent was consigned to the U.S.S.R. In the 1946-47 season, the Soviet Union took 1,319 metric tons and in 1947-48, 3,042 tons.

The export price of tung oil in Shanghai early in December 1949 was US\$0.24 per pound, cost and freight, New York, in drums. In addition to low supplies, another difficulty was the limited availability of shipping space, even for drum cargo. Bulk space was unavailable. Tung-oil prices at Hongkong were the equivalent of US\$0.25 a pound in November 1949. Increases are to be expected because of the current low stocks and the poor prospects for future arrivals from the mainland.

Soybean Production and Trade in Manchuria

The 1949 crop of soybeans in Manchuria is officially estimated at 66,000,000 bushels, which is less than 45 percent of the 1935-39 average of 151,300,000 bushels. After allowing for domestic requirements, the indicated exportable surplus approximates 21,000,000 bushels.

Before the war, Manchuria was the world's principal exporter of soybeans, shipping an average of 69,000,000 bushels annually in the 1935-39 period, with 85 percent of the total entering international trade. The chief markets for Manchurian beans prior to the war were Japan, Germany, Denmark, Netherlands, and Sweden. Presently, however, only limited quantities are moving to areas other than the U.S.S.R. and its satellites.

Production of Soda Ash and Caustic Soda in China

Yungli Chemical Works, Tangku, reports production of 4,860 metric tons of soda ash and 418 tons of caustic soda in October 1949. This is said to be the largest increase in output in the past 12 years.

Bristle Exports from Shanghai

Exports of bristles from Shanghai in October 1949 totaled 185,600 pounds. Exports to the United States totaled 45,790 pounds (25 percent of the total), and to the U.S.S.R., 139,810 pounds (75 percent of the total). Exports to the United States in October, as compared with September, decreased by 67 percent in quantity and 66 percent in value.

Exports to the U.S. from China

Declared exports from Shanghai to the United States during the 9-month period, January-September 1949, included the following: Art works and antiques, US\$236,000; paper novelties (paintings, toys, umbrellas, and lanterns), \$10,000; lacquerware, \$4,500; ivory and manufactures, \$3,000; fur dogs, \$5,000; sandalwood fans, \$2,500; and rosaries, \$1,700.

Peanuts and Peanut Oil in China

The State-operated North China Oil and Tallow Co. is preparing to establish factories in Tientsin and Tangshan for processing peanuts for export. The company is selling kerosene to farmers in return for vegetable oils and oilseeds for export. Because of the shortage of fuels, Chinese farmers have been using vegetable oils for illuminating purposes.

Japanese Private Imports

The Japanese Government announced further details concerning the private import system which was established as of January 1, 1950, in accordance with the provisions of the Foreign Exchange and Trade Control Law enacted by the Japanese Diet on November 30, 1949. This law provided the statutory authority for the regulations made effective on December 1, 1949, relaxing controls over Japan's export-trade procedure and the changes in import controls made effective on January 1, 1950.

In conformance with the implementing regulations and the announcements of the appropriate Ministers of the Japanese Government, a system of exchange allocations and licensing for imports on a private basis has now been put into effect. Imports purchased by United States appropriated funds, however, which constitute a large part of Japanese imports, continue to be handled on the Government level.

Under the new procedure for private imports, quarterly foreign-exchange budgets which are prepared by the Japanese Government and reviewed by SCAP will constitute the basis upon which allocations of foreign exchanges for specific imports will be made to private Japanese importers. The budgets, in addition to listing by commodity the amount of foreign exchange to be made available during the quarter for which import licenses are to be granted, also will indicate the following: The source of each commodity; whether special foreign-exchange-allocation certificates are required as a condition for obtaining an import license; the opening and closing dates for filing applications; and the percentage of collateral required as a guaranty that the prospective importer will be able to fulfill his obligations.

The import limit included in the first announcement of the Japanese Ministry is US\$6,667,500 covering approximately 27 commodities, with an additional \$6,000 allocated for purchases of miscellaneous commodities. Most of the commodities included in this first list are to be purchased from countries with which Japan has trade and financial agreements.

The imports allocated under this first announcement will constitute only a small fraction of the total imports which are expected to be contracted for during the first quarter of 1950. This list does not include any food items, and many raw materials (such as raw cotton) will be supplied in much larger quantities on a Government level, as such imports will be purchased largely by United States appropriated funds rather than from proceeds from Japanese exports.

Japanese Iron and Steel Production

During October 1949 new postwar-production records were achieved by the iron and steel industry. Production peaks of 157,300 metric tons of pig iron, 301,329 tons of steel ingots, and 192,770 tons of rolled-steel products were reached, with bright prospects for continued record-breaking output. Reports

for November indicate even higher levels of operation.

The increase in iron and steel production is largely due to expanding export sales.

*Japanese Iron and Steel Production
(Thousand metric tons)*

Period	Pig iron	Steel
1949: September	128	264
October	157	301
First 10 months	1,269	2,457

Office-Machine Production in Japan

Japanese production of hand-operated calculating machines and standard-type duplicating machines continued to increase during the third quarter of 1949. Production of Japanese typewriters and rotary-type duplicating machines declined, and production of cash registers ceased altogether.

Production of Office Machines, First Three Quarters 1949, Japan

(Quantity in units)

Production period	Japanese	Calcu-	Duplicat-	Cash
	type-	lat-	ing	regis-
	writ-	ma-	ro-	Stand-
First quarter	1,105	851	141	19,713
Second quarter	1,466	955	150	22,252
Third quarter	976	1,031	191	17,319
				0

Lead-Pencil Production in Korea

The manufacture of lead pencils in Korea in October 1949 reached a new high for the year, when 9,200 gross were produced. Beginning in September 1948 with a production of 4,800 gross, Korean lead-pencil output increased steadily for 13 months. Production for the first 10 months of 1949 totalled 75,750 gross compared with 41,194 gross for the corresponding period in 1948.

U.S. Exports of Cotton Cloth to Far Eastern Countries

(In 1,000 square yards)

	January-November	
	1949	1949
Total U.S. Exports	824,287	824,394
Philippine Republic	100,715	70,168
Indonesia	37,274	8,550
Thailand	17,496	1,996
Malaya	10,528	96,721
Hongkong	3,926	975

HONGKONG COMMODITY MARKETS

Cotton Piece Goods & Cotton Yarn

The approaching China New Year holidays, when little business is transacted and merchants accumulate as much ready money as possible in order to meet their debts, combined with large stocks and competition from Japan and India to reduce further the prices of Cotton piece goods on the local market. The Japanese makes are similar in quality to those from Shanghai and are better than those from India; on the other hand the Indian piece goods have an advantage in price and are suitable for dyeing, being in favour with umbrella makers.

In grey sheetings, Double Flying Dragon fell to \$45 per piece, Dragon Head dropped to \$44.30, Fairy Eagle to \$46, Peacock to \$47, Prosperous to \$46; Japan 2023 sold at \$42.70 and at \$42.50, a rise against last week's prices. In white cloth, Bat & Tripod fell to \$44, Fountain Hill to \$46.50; Japanese 2006 rose to \$48 per piece.

The cotton yarn market continued inactive, buyers from China being out of the market for the time being. Indonesian buying showed interest in Shanghai cotton yarn and transactions took place in Blue Phoenix 42's at the improved price of \$1,865 per bale. In 10 counts, Flying Elephant rose to \$725 per bale, Girl with Vessel to \$640 and Sphinx to \$635; Golden Cow fell to \$665 and Red Double Lion to \$770 per bale. In 20's, Cockatoo showed a rise to \$980 per bale, Lake rose to \$1,210 and Looms to \$935 per bale; Double Swallow fell to \$1150, Six Pagodas to \$1100, Standing Horse to \$1170 and Water Moon to \$1180 per bale.

Metals

The competitive nature of Mild Steel Round Bars in the local market has again been underlined by the reduction announced by American steel firms of approximately US \$5.50 per ton in the indent price c.i.f. Hongkong. This reduction has been followed by similar action on the part of Belgian and French firms, and Belgian mild steel round bars can now be obtained at the price of £25 per ton c.i.f. Hongkong while the French bars are £24. Prices on the local market showed a further drop from last week, although some transactions took place with North China buyers, $\frac{1}{2}$ " to $1\frac{1}{4}$ " specifications changing hands at an average price of \$36.50 per picul. Prices ruling at the close were: 40" 3" \$42 per picul; 2" and $2\frac{1}{2}$ " \$41, 1" \$39, $\frac{1}{4}$ ", $\frac{1}{2}$ " and $\frac{3}{4}$ " \$38; 5/16", $\frac{1}{8}$ " and $1\frac{1}{2}$ " \$37; $\frac{3}{8}$ ", $\frac{5}{8}$ ", $\frac{3}{4}$ " and $1\frac{1}{4}$ " \$36; 1 $\frac{1}{2}$ " \$35; while $\frac{1}{2}$ "— $1\frac{1}{4}$ " with re-export permit stood at \$36.50 per picul. Galvd. Mild Steel Sheets, thick, also declined in price with little business done, prices towards the end of the week being: British 3x7' G24 59 cents per lb., G26 64 cents and G28 72 cents per lb.; European G24 sold at 54 cents and G26 at 60 cents per lb. The thin quality showed a corresponding weakness, prices at the close being: Japanese G30 3x7' \$8 per picul and 3x6' \$6.80 per picul; Belgian 3x7' \$8.10 and en route cargo \$7.80 per picul. The decline in the Japanese 3x6' was largely due to heavy stocks on hand and offers were made later at \$7 per picul, less than the cost price of \$7.80 but even at this price sales were lacking. Mild Steel Plates were equally inactive: 4 x 8' 1/32" sold for \$70 per picul, 1/16" for \$58, 3/32" for \$54, $\frac{1}{8}$ " for \$45, 3/16" and $\frac{3}{4}$ " for \$44. With a slackened demand from Tientsin buyers, the Galvd. Wire market was slow, although prices with a few exceptions remained steady. Cantonese buyers were in the market, though not to any great extent. The price of European G6 stood at \$52 per picul; G7 at \$50; G8 fell to \$48 and G10 to \$46; G12

and G14 were offered at \$45; G13 at \$47; G15 and G16 at \$54; G17 at \$57; G16 fell to \$65; G20 and G22 dropped to \$68 and G24 to \$85 per picul, though sales of the latter specification were also made at \$83 per picul. Contrary to the usual run of the metals market, Galvanised Pipes remained firm with Tientsin and Taiwan buyers competing. Prices at the close of the week were: 2 $\frac{1}{2}$ " increased to \$4.40 per foot, 3" rose to \$5.50, while 4" went for \$7.20; $\frac{1}{2}$ " sold for 53 cents per foot, $\frac{3}{8}$ " at 63 cents, 1" at \$1.20, $1\frac{1}{4}$ " at \$1.55, 1 $\frac{1}{2}$ " at \$2.40 and 2" at \$2.70.

Cantonese dealers were in the market for Zinc Sheets and prices improved. Polish G5 and Belgian G6 being short of stock, rose at the beginning of the week but fell later: Polish G6 sold at \$122, falling to \$116 per picul, G6 sold at \$110 and fell to \$105, while G7 and G8 stood at \$123; Belgian G6 sold at \$122 and fell later to \$118 per picul. Rolled Brass Sheets fell heavily in price, as in addition to reduced demands from China competition was severe between the Japanese and British makes: British 12" rolls 9 to 11 oz. were offered by dealers at \$180 per picul, but counteroffers were made at \$170, 12 oz. was offered at \$185 per picul; Japanese rolled brass sheets 8 to 10 oz. fell to \$180 per picul; both British and Japanese makes fell to \$220 for 5 oz. and \$225 for 6 oz. although short of stock.

The Lead market was dull during the week and the arrival of some 20 tons Compound Lead from Java did not improve matters; no sales were made although the lead was offered at \$70 per picul. Pig Lead 99% was offered at \$100 per picul, while Australian standard quality remained at \$115. Pig lead bars, compound, fell to \$80 per picul. Zinc lead ingots remained at \$113 per picul. Printing lead was sold at \$100 per picul.

The two most popular Brass Wire Gauze specifications on the market during the week were 3x100' 40 mesh which stood at \$115 per roll and 50 mesh at \$135 per roll. In other specifications, 60 mesh was offered at \$160, 80 mesh at \$210 and 100 mesh at \$250 per roll; 16 mesh went at \$70, while the USA make of the same specification was offered at \$75 per roll, approaching very near to the Japanese make at \$70, shipments of which are expected in large quantities. White Brass Gauze (USA) 18 mesh sold at \$67 per roll. Copper Wire Gauze 16 mesh sold at \$95 per mesh.

The prices of Tinplate Waste were low, with USA and other makes in competition. During the week US tinplate waste was offered at \$82 per 200 lb. packing while tonnage packing stood at \$77 per 200 lbs. Later these prices fell further and 18 x 26", 22 x 26" and 25 x 28" in tonnage packing were offered at \$76 per 200 lbs., with second quality 2-10" 200 lbs. standing at \$58 per picul and 3-6" at \$62 per picul. British 100 lbs. thick was offered at \$78 per case. The price of USA Electrolytic Tinplate 18 x 24" in tonnage packing stood at the beginning of the week at \$75 per 200 lbs., but later was

quoted at \$70. Misprint Tinplate showed an improvement in price and first quality white base was sold at \$44 per case and forward at \$38 per picul; second quality stood at \$41 per case. Black base was offered at \$32 per case.

Paper

The paper market in general was dull, since buyers have returned to China for the New Year holidays. However, improvement is expected later, since the Communist authorities both in Canton and in Shanghai have relaxed some of their restrictions on paper imports. The recent announcement that the European Paper Manufacturers' Association intends to raise the price of several types of paper has met with a mixed reception locally. On the one hand, reduced supplies from Austria and Norway, coupled with increased prices, aroused hopes of profitable re-exports of stocks available in Hongkong. On the other hand, local dealers are handicapped by the acute shortage of public godown space, the high prices charged by private godowns, and poor current demands, so that the prospect of increased prices had a depressing effect on the market. Closing prices were: Newsprint in rolls 52 gr. 31", 37 cents per lb.; newsprint in sheets 50 lbs. 31 x 43" \$20 per ream; M.P. Cap 17.5 lb. white quality \$9 per ream; and Cigarette Paper, 29 mm. 6,000 m. Smoking Tiger, \$21.50 per bobbin, Ecusta brand (green line) \$23, Centennial brand \$15.50.

Glass

Taiwan buyers were in the market for considerable quantities of glass, which is in short supply, as local stocks of European origin are light and the Tientsin authorities have recently restricted exports from that port. The shortage of Chinese window glass has enabled local dealers to demand higher prices for their stocks from other origins. Representative closing prices were: Chinese 100', 16 oz. shock-proof packing, \$25 per case, and Polish 100' 16-18 oz., \$24 per case, both down slightly from the prices asked earlier in the week, while the following prices per case were steady: 100' 16-18 oz. French \$27, and Czechoslovakian \$27.50; 300' 44 oz. Belgium \$615, and Czechoslovakian \$650 for best, \$550 for middle and \$450 for small specification.

Cement

Heavy arrivals of Japanese cement on the local market, as well as some 2,000 tons from Poland, plus slackening business in view of the coming New Year holidays caused prices to fall badly and some dealers were offering below cost in an effort to obtain needed ready cash. Emerald brand (Green Island) one cwt bags declined on the open market to \$6.50 (official price \$6.80). Emeraldcrete rapid hardening cement stood at \$8.20 per 112 lb. bag (\$7.80 ex-godown), and 94 lb. bags Green Island cement stood at \$6.10 (official price \$5.90). Snowcem cement paint stood at the usual price of \$58

per 112 lbs. nett steel drum ex-godown. Japanese cement dropped badly 100 lb. bag going for \$4.50 while ex-steamer cargo was offered at \$98 per ton. Polish 1 cwt. bag was offered at \$6.90 and Indochna Dragon brand 1 cwt. new stock stood at \$5.70 per bag. Tientsin Horse brand fell to \$6.50 per cwt. bag but no sales of importance were recorded. Blue Circle brand (British) dropped to \$6.40 per 1 cwt bag (official price \$6.40).

Rubber

The market for smoked rubber sheets continued to be dull. Shanghai buyers took large quantities of the third quality, so that the price for No. 3 A rose slightly, from \$115 to \$116 per picul. In most cases, however, prices remained steady: (Foreign No. 1, \$125 per picul) No. 2, \$120, No. 4 B, \$112. Raw rubber, white, also stood at last week's prices, \$320 per picul for the Java quality and \$210 for Singapore G1.

Rubber quotations are rising in Singapore, spurred by U.S. and U.S.S.R. purchases and reported low production, with the result that Hongkong merchants have recently found it profitable to ship smoked rubber sheets back to Singapore where they originated. Improved prices are, however, expected on the local market after the Chinese New Year.

Rubber Tyres

The reports circulating in the rubber tyre market for some time that the People's Government would shortly be purchasing large quantities of rubber tyres for military purposes, have been to some extent confirmed by the presence of North China buyers in the market. Supplies, however, are short and forward buying for April and May is consequently active, but when the allocation quantity has been disposed of no further sales will be available. Hongkong dealers have endeavoured to purchases surpluses from other ports, but such deals have not been productive as prices were high and the quantities inadequate. It is understood that Dunlop tyres 600 x 16 which have been selling at \$92.25 per set will be increased in price to \$96.86. The price of Michelin tyres 34 x 7 (Y) has remained steady, at \$225 per set; a cargo of 200 sets of Michelin tyres arriving from Singapore was disposed of immediately and offered on the local market at \$240 per set, and some enroute cargo from the United States was offered at \$252 for 32 x 6 and \$280 for 34 x 7. Prices during the week in general showed little change except in such specifications as were available. Michelin (Italy) 34 x 7 were offered at \$300 per set with 32 x 6 at \$255; Goodyear (England) 32 x 6 stood at \$240 and 34 x 7 at \$261; Canadian Goodyear 32 x 6 was offered at \$245 and U.S.A. Goodyear of the same specification stood at \$250; British Dunlop 32 x 6 were offered at \$255 per set with none available, and 34 x 7 at \$280; U.S.A. Dunlop 32 x 6 stood at \$200 and Bridgestone 32 x 6 at \$145; Firestone

(U.S.A.) 32 x 6 and British Firestone of the same specification stood at \$220; Yokohama 32 x 6 was at \$225 per set.

Gunny Bags

The market for gunny bags was somewhat slower this week buyers from North China, North Korea and Canton having concluded their purchases. About 1,000 bales of gunnies destined for the official trading organization in Canton were destroyed during the Nationalist bombing of the Kowloon-Canton Railway border station at Shumchun, which resulted in increased activity in the local market. Substantial profits can be made from exports to Canton and Tientsin, the former recently quoting a price of \$4.10 and the latter \$7 per piece. There was a decline in the local market price of Heavy Cees, 29 x 43 x 2½ lbs. 2" green (new) Indian origin spot, which closed at \$2.83 each for spot, while en route cargo was offered at \$2.81½ and \$2.79 per piece. Hessian cloth (Indian origin) 11 oz., 45" stood at \$1.25 for spot and \$1.15 forward.

Vegetable Oils and China Produce

Although the People's Government is allowing free export of Tung Oil (woodoil) from Canton, dealers are not accepting the opportunity with much readiness because of a ruling that the exporter must surrender 80 per cent of the foreign exchange earned. This unwillingness to surrender foreign exchange when exporting tungoil forms one of the main reasons for the shortage of this product on the local market. Another aspect of the tung oil trade is seen in the general trend towards buying direct from North China by the United States instead of through Hongkong. Tungoil is in fact becoming the principal commodity in the barter trade between the United States and Communist China. Stocks of tungoil at the northern ports are reported to be heavy, cargo arriving from Shanghai and Hankow as well as from the interior of China to await shipment to buyers abroad. On the local market some sales were effected at \$204 per picul, which is a slight drop from previous prices. In fact towards the end of the week tungoil was offered as low as \$202 and \$200 per drum. Teased Oil market prices held firm during the week, 5% acid being offered at \$165 per picul but no sales were recorded at this price, counter offers being made at \$160. Towards the end of the week offers were made for this specification (1.q) at \$158 per picul and 4% acid (1.q) at \$176 per picul. Rapeseed oil was offered at \$102 during the earlier part of the week but later fell to \$100 per picul. Linseed Oil was quoted at \$117 per picul. The Groundnut Oil market was steady during the week, due to some extent to the approaching New Year holidays. Several hundred drums are being daily shipped to the Colony by way of Macao, and active buying was maintained. Swatow groundnut oil in tins was sold during the week at \$184 per picul, Flying Horse brand in

tins was transacted at \$200 per picul, while Cock brand changed hands at \$175. The demand for Siamese groundnut oil remained steady, sales being made at \$152 per picul. The Bombay product also remained firm with supplies coming in regularly, and sold at \$142 to \$147 per picul. US groundnut oil was sold at \$153 old stock but indent prices for new stock were quoted at \$160.

The Cassia market was a little uncertain during the week, as it is not yet known whether the Indian Government intends to relax its prohibition upon imports of this commodity. It seems, however, that in spite of the ban importations are being effected into India. At the same time some anxiety is being shown in regard to the quality of Indo-china Cassia rolls, and exporters have been warned to inspect their purchases carefully before shipment abroad is effected; one transaction to the US took place at \$320 per picul. The latest price for Cassia Ligneae in 84 and 60 catty packings was \$56 per picul; the West River, Kwangtung, product in bulk packing was offered at \$50, while Cassia unscrapped, (Tunghing, Kwangtung), was quoted at \$90 per picul and the Wuion 1 q. at \$233. Aniseed Star was steady with a few sales of Haiphong 1 q. at \$78 per picul, the price falling later to \$67 per picul. The Ramie market was steady, with supplies from Tientsin being sold en route at \$225 per picul and further shipments being offered at the en route price of \$227 and \$230 per picul. Gailnut stocks were light, and prices improved to \$117 per picul for the Liuchow, Kwangtung, product with active buying by exporters. Korean gallnuts were offered at \$95 per picul.

Ores

Tungsten (wolfram) ore showed a decline during the week, 65 deg. closing at \$260 per picul and 80% deg. at \$208. South Korean standard quality declined to \$260 per picul.

Manganese Ore stood at around \$150 per ton on the local market but stocks are light and apparently likely to remain so due to the lack of supplies from Kwangsi. Japan has been needing some 10,000 tons and offered as much as US\$34 per ton c.i.f. Japan, but has not been able to satisfy requirements. Tin ingots from Kwangsi 99% rose to \$570 per picul and Yunnan 99% to \$565; Marked Bunker (Singapore) 99.75% stood at \$580 per picul; China tin 60% sold for \$570 while 50% and 40% for soldering were quoted at \$520 and \$270 per picul respectively.

China Tea

Future prospects for Formosan tea have shown strong indications recently of staging a recovery after a number of years of dwindling exports. The Japanese had improved the cultivation of the tea plant so extensively that during their rule in the island approximately 24 million lbs. of tea were exported annually. This trade fell away almost entirely following the war years,

until last year when once again exports reached a total of 27 million lbs. and there is every indication that this improvement will continue at least for a time. During the past two months sales on the local market have been keen especially from the United States and South Africa, the former taking by preference black tea and Oolong tea. The China tea market also showed a sharp rise during the week and Amoy 1st quality black tea was offered at \$480 per picul. An improvement in shipping conditions between Hongkong and Fukien has also brought about increased shipments from that province, which should steady the market which threatened due to light stocks to rise steeply. This was so clearly indicated last week that it was anticipated tea already sold to Singapore would be finding its way back to the local market with enhanced prices, and indeed some 200 packages did actually return from Singapore. Taiwan green tea during the week was offered at \$480 per picul, Pouchong tea 1st quality stood at \$520 while 2nd quality was quoted at \$430 and third quality at \$280 per picul; Broken Orange Pekoe China black tea was offered at \$320 and second quality at \$300; Orange Pekoe sold at \$285 per picul. As, however, the next harvest in Taiwan will take place only in April and May, the present stocks may become short, which fact is influencing local dealers in holding back on sales in anticipation of a further increase in prices.

Wheat Flour

There were increased purchases of wheat flour in the local market during the past week. Buyers, in particular from Amoy and Kwangtung, took considerable quantities of US and Australian wheat flour. It is expected that spot prices will be firm and that futures may rise as consumers increase their stocks in preparation for the first month of the Chinese New Year. Heavy stocks of Canadian glutinous flour, however, prevented improvements for that commodity. Closing prices for some well-known brands were (per 50-lb. bag): Australian White Greens \$18.50, Australian Five Swallows \$18.50, Pipe (Australian) \$17.80; American White Greens \$21.50, and American Five Swallows steady at \$20; Canadian Cocoanut was also steady at \$20.80, while Golden Wheel dropped to \$16.80, Globe sold at \$18.70, and Kwan To at \$16.50.

Sugar

There have been large arrivals of Taiwan sugar recently, but they have not aroused much interest since the sugar cannot be consumed locally but must be re-exported and the demand at present is weak. The local market was steady. African brown granulated sugar No. 18 1 q. rose to \$48 per picul, Kwongchauwan brown sugar prices rose to \$42 while Hongkong 1 q. dropped to \$51.50 per picul. Granulated sugar prices were: British refined, 1 q. \$51.50, 2 q. \$45; Hoihow brown, \$35; and Taiwan refined special, \$51 for 1 q. and \$44 for 2 q., and \$45

per picul forward, the re-export price being \$46.50 per picul.

Beans

The beans market was uneven, but on the whole there was an upward trend with price increases outnumbering decreases. Prices at the close were: Tientsin 2 q. black beans \$35 per picul, Siamese 1 q. green beans, small \$43, and Siamese 1 q. white string beans \$60. Tientsin 1 q. green beans, small, dropped to \$50 per picul, and Siamese 1 q. soya beans fell to \$45 per picul; but there was an advance in the case of North China 1 q. small red beans, which improved to \$47 per picul, and Shanghai 1 q. black beans also rose to \$95 per picul; Kalgan small green beans sold at \$49.50 and \$50, and Dairen soya beans fetched \$50.50, while Kiao-chow soya beans rose to \$48 per picul.

Beancake prices improved slightly to \$36.50 per picul for first quality. Taiwan buyers made considerable purchases, and buyers from China also showed interest which helped to offset the effects of recent heavy arrivals from Tientsin.

Feathers

Rather unexpectedly the local feather market has suddenly become extremely active due to European traders, especially from Western Germany, coming into the buying market. Supplies from interior China have recently been irregular while imports from the South Seas and Thailand have also been small, which has tended to enhance prices. The South China Foreign Trade Corp. in Canton has widened its purchasing activities to include feathers, and the official buying prices are quoted as: West River duck feathers 70% purity PB\$950,000 per new picul. Hunan duck feathers 70% purity People's dollar 700,000 per picul. Dealers, in spite of increased prices, bought up all cargo as it arrived. Penang duck feathers fetched \$270 and \$378 per picul. Thailand duck feathers \$295 and \$297 per picul, Yeungkong 1 q. \$282 per picul and 2 q. \$272 per picul, while Haiphong duck feathers 1 q. were sold at \$375 per picul and 2 q. at \$371. Goose feathers of export quality are selling well in the European market reaching approximately \$650 per picul, while duck feathers are quoted at around \$580 per picul. In Hongkong goose feathers of export quality are selling at \$500 per picul and duck feathers at \$480.

Hides

The hide market has of late been extremely short of supplies and local dealers need all they can obtain in response to an urgent demand from Taiwan. In fact the tanneries here are planning to continue work during the New Year holidays to meet requirements. During the week light weight cow hides sold at an average price of \$415 per picul, medium weight fetched \$320 per picul, and heavy weight hides fetched \$310 per picul. Buffalo hides of 20 lbs. up averaged \$165 per picul and 30 lbs. up were offered at \$200 per picul.

Hongkong Shipping Returns

For January 1950

	Ocean Steamers		River Steamers		Ocean Passengers		River Passengers	
	Tonnage IN	Tonnage OUT	Tonnage IN	Tonnage OUT	IN	OUT	IN	OUT
Monthly averages 1948	659,582	651,394	122,834	123,338	23,583	19,547	37,529	29,769
1949	824,239	828,696	163,345	168,147	21,952	21,564	48,496	52,620
January 1950	831,555	788,243	218,465	215,032	8,247	10,484	50,567	47,990

Total ocean steamer tonnage for January 1950: 1,619,798; total river tonnage: 433,497; grand total: 2,053,295.
 Total ocean passengers: 18,731; total river passengers: 98,557; grand total: 117,288.

Hongkong Shipping Report for January 1950

Flag	Arrivals			Departures				
	No.	Ocean Tonnage	Cargo Passengers	No.	Ocean Tonnage	Cargo Passengers		
British ..	141	349,256	186,334	3,146	130	314,058	56,768	4,867
American ..	31	163,592	30,141	396	33	167,100	13,382	663
Burmese ..	1	2,769	2,500	—	—	—	—	—
Chinese ..	24	35,215	26,375	29	15	15,687	3,032	48
Danish ..	13	45,909	22,418	167	14	48,714	6,028	217
Dutch ..	9	48,489	12,153	1,308	6	29,420	5,350	1,676
French ..	4	17,695	145	48	4	17,695	1,004	109
Greek ..	2	7,312	10,617	—	1	4,380	—	—
Honduran ..	—	—	—	—	—	—	—	—
Italian ..	1	4,445	2,564	—	1	4,443	1,005	—
Liberian ..	—	—	—	—	1	1,997	500	11
Norwegian ..	33	78,969	76,421	2,783	30	76,877	16,837	2,800
Panamanian ..	24	45,650	48,756	352	37	72,002	34,336	66
Philippine ..	2	4,245	3,633	6	3	4,872	2,200	14
Portuguese ..	2	474	135	—	2	222	95	—
Swedish ..	8	21,010	8,554	12	9	25,485	4,126	13
U.S.S.R. ..	3	6,525	12,932	—	2	5,289	1,200	—
Total Foreign	157	482,299	257,344	5,101	158	474,185	89,095	5,617
Total ..	298	831,555	443,678	8,247	288	788,241	145,863	10,484

Flag	Arrivals			Departures				
	No.	River Tonnage	Cargo Passengers	No.	River Tonnage	Cargo Passengers		
British ..	153	113,102	4,324	31,148	151	111,168	6,761	32,224
Chinese ..	169	102,714	2,921	19,417	170	101,108	6,386	15,761
Portuguese ..	7	2,649	1,538	2	8	2,756	1,505	5
Total Foreign	176	105,363	4,459	19,419	178	103,864	7,891	15,766
Total ..	329	218,465	8,783	50,567	329	215,032	14,652	47,990

HONGKONG COMMERCIAL CARGO

For the month of January 1950

1950	Ocean Vessels		River Vessels	
	Discharged	Loaded	Discharged	Loaded
January ..	443,678	145,863	8,783	14,652
Total ocean cargo for January 1950:	589,541	tons;	total river cargo:	
23,435 tons; grand total:	612,976	tons.		
Monthly averages for 1947, 1948 and 1949:	1947	1948	1949	
Ocean cargo in ..	187,522	193,416	272,417	
River cargo in ..	71,047	87,849	136,367	
" " out ..	7,493	9,042	8,291	
Grand total ..	273,451	297,763	427,576	

Hongkong Aviation Notes

Air Traffic Returns:—The effect of the present state of seeming immobility in China is all too sadly reflected in the returns of air traffic issued by the H.K. Dept. of Civil Aviation. From a monthly average of 1,061.6 arrivals of civil aircraft during 1949 the figure has fallen to 253, which is also below the monthly average for 1948; passengers arriving and departing numbered 7,163 in January, compared with the monthly average of 25,557 in 1949 and 18,973 in 1948; mail received and despatched totalled 22,942 kgs. against the monthly averages for 1949 of 28,418 kgs. and 1948 of 27,375½ kgs; and freight landed and despatched came to 102.5 metric tons compared with the 1949 and 1948 monthly averages of 510.3 and 143.9 metric tons respectively. For the time being, aviation perhaps more than any other means of transportation is obliged to mark time, but it is inevitable that as conditions in China return nearer to normal there will be a revival of air traffic.

Air France:—A fast service from Hongkong to Paris via Hanoi, Calcutta, Karachi, Cairo and Tunis is now operated by Air France. The plane leaves Hongkong every Saturday and arrives in Paris the following Monday, with a stop-over at Karachi for the night. Another weekly service, leaving Hongkong every Monday and arriving in Paris on Thursday, is also operated by Air France; this calls at Saigon, where a 24-hour stop is made with accommodation and board provided free of charge.

Pan-American World Airways:—The new double-decked P.A.A. Clippers (Boeing Stratocruisers) have flown 54,348 passengers a total of 4½ million plane-miles in 1,384 ocean crossings since their introduction in April last year. These Clippers fly across the Pacific by the West Coast-Hawaii route as well as to the Orient, and also are in service across the Atlantic on the New York-London and New York-Bermuda flights.

Civil Air Transport, Inc.:—Regular flights have been recommended by C.A.T. between the Colony and Taiwan. Civil Air Transport Inc. is now registered with the U.S. Civil Aeronautics Administration, but not having yet registered with the H.K. Dept. of Civil Aviation has been obliged for the time being to charter its planes to another organisation for the flight.

Hongkong Aviation Reports

Owing to the occurrence of a few discrepancies in the HK Aviation Returns for the twelve months of 1949 as given in the *Far Eastern Economic Review* of February 2 (Vol. viii, No. 5, page 136), an amended table is given below. The alterations are:—
1) The freight figures of traffic in and out for February should read 43,761 and 82,066 respectively, instead of 43,749 and 83,829.

2) The inward mail figure for April should read 14,153 instead of 14,031.

The monthly averages for 1949 and the totals concerned are altered accordingly.

Hongkong Aviation Return (Amended)

For the twelve months of 1949

	CIVIL AIRCRAFT		PASSENGERS		MAIL (kilograms)		FREIGHT (kilograms)	
	arrivals	departures	in	out	in	out	in	out
Monthly Averages for 1948	595.33	—	9,591.75	9,381.66	13,726 1/4	13,649 1/4	42,920.08	100,985.58
Monthly averages for 1949:	1,061.6	1,057.5	12,245.8	13,312.4	13,842	14,576	237,690	272,656
January	805	799	9,940	11,913	17,315	14,713	41,947	90,791
February	745	741	10,651	10,146	13,750	12,906	43,761	82,066
March	833	836	8,998	11,022	16,490	15,258	46,144	123,988
April	979	967	13,996	14,031	14,153	14,797	68,592	153,036
May	1,476	1,457	21,380	19,193	13,062	13,734	53,123	157,403
June	1,463	1,467	17,062	18,630	15,028	12,536	593,728	227,833
July	1,456	1,440	16,412	17,365	13,311	13,259	397,758	407,866
August	1,597	1,591	21,796	19,225	12,704	18,110	292,991	611,667
September	1,348	1,348	14,898	15,584	12,843	16,455	107,010	386,052
October	1,168	1,159	13,346	13,177	13,828	13,233	724,133	642,052
November	505	506	5,220	5,169	10,665	12,478	413,627	285,012
December	365	378	5,231	4,292	12,960	17,433	69,414	104,109
Jan.-Dec. 1949	12,740	12,689	158,930	159,748	166,109	174,912	2,852,228	3,271,875

Total aircraft for Jan.-Dec. in and out: 25,429; total passengers: 318,678; total mail: 341,021 kgs.; total freight: 6,124.1 metric tons.

Hongkong Aviation Returns

for January 1950

	CIVIL AIRCRAFT		PASSENGERS		MAIL (Kilograms)		FREIGHT (Kilograms)	
	Arrivals	Departures	IN	OUT	IN	OUT	IN	OUT
Monthly averages for 1948	593.3	—	9,591.7	9,381.6	13,726 1/4	13,649 1/4	42,920	100,985.58
Monthly averages for 1949	1,061.6	1,057.5	12,245.8	13,312.4	13,842	14,576	237,690	272,656
January 1950	253	250	3,151	4,012	11,196	11,746	43,350	59,200

Total aircraft for January 1950 in and out: 503; total passengers: 7,163; total mail: 22,942 kgs.; total freight: 102.5 metric tons.

HONGKONG JUNKS & LAUNCHES IN JANUARY

Foreign Trade conducted by Junks & Launches of 60 registered tons & under

No. of Inward Vessels	Reg. Tonnage of Vessels	Dead Weight		No. of Passengers			
		Arrival	Outward		Tonnage of Cargo	Inward	Outward
JUNKS							
464	513	50,508	52,747	8,338	17,337	6	43
LAUNCHES							
57	57	1,534	1,551	666	1,019	—	—

Local Trade conducted by Junks and Launches of 60 registered tons & under

No. of Inward Vessels	Reg. Tonnage of Vessels	Dead Weight		No. of Passengers			
		Arrival	Outward		Tonnage of Cargo	Inward	Outward
JUNKS							
1,132	1,143	37,166	38,650	13,704	6,677	—	—
LAUNCHES							
265	264	7,893	7,809	820	744	18,748	14,430

Hongkong Aviation Report for January 1950

COUNTRIES	ARRIVALS			COUNTRIES	DEPARTURES		
	Passengers	Mail	Freight		Passengers	Mail	Freight
United Kingdom	80	6,127	6,496	United Kingdom	80	6,068	2,484
Europe	41	306	5,314	Europe	60	43	501
Middle East	43	149	69	Middle East	64	—	322
Calcutta	56	218	5,074	Calcutta	79	—	602
Rangoon	29	68	15	Rangoon	69	—	3,984
Singapore	170	1,484	3,233	Singapore	149	1,553	7,095
Bangkok	409	260	3,550	Bangkok	469	215	11,433
French-Indochina	722	272	1,332	French-Indochina	388	184	669
Macao	28	—	—	Macao	40	—	31
Philippines	652	803	4,474	Philippines	959	637	4,807
Japan	226	422	5,878	Japan	238	723	2,871
U.S.A.	21	—	4,110	U.S.A.	323	967	3,094
Australia	14	38	595	Australia	36	96	85
China	631	941	2,940	China	885	1,003	20,801
Honolulu	19	—	110	Honolulu	61	51	150
Canada	10	108	160	Canada	112	206	271
Total	3,151	11,196	43,350	Total	4,012	11,746	59,200

No. of Aircraft: 253

No. of Aircraft: 250

Hongkong Airport: Traffic of Regular Users in January 1950

	Arrivals			Departures				
	No. of A/C	Passengers	Mail	Freight	No. of A/C	Passengers	Mail	Freight
		(Kgs.)	(Kgs.)			(Kgs.)	(Kgs.)	
B.O.A.C.	21	332	8,504	10,991	21	355	7,699	12,840
H.K. Airways	26	276	441	2,774	26	357	942	13,661
P.A.A.	34	505	79	15,144	35	661	6	4,223
C.P.A.	39	415	253	3,449	38	584	1,083	6,623
P.A.L.	17	419	681	3,764	16	563	1,331	4,445
P.O.A.S.	13	89	127	124	13	146	96	8,246
T.A.A.	7	20	30	261	6	38	16	693
S.A.F.E.	2	19	135	4,497	3	49	Nil	245
Air France	15	576	299	1,071	13	334	226	571
S.A.C.	6	93	50	1	6	64	Nil	914
M.A.T.C.O.	7	28	Nil	Nil	6	56	7	181
C.P.A.L.	5	31	108	217	5	108	206	274
T.O.A.L.	2	Nil	Nil	Nil	2	92	Nil	Nil
Qantas	2	14	38	595	2	36	96	85

Trade Between Sterling Area Countries and Japan

A new trade arrangement between Japan and the Sterling Area, covering the period from July 1, 1949, to June 30, 1950, was signed in Tokyo on November 22. The new arrangement, to involve trade transactions totalling 143 million pounds sterling (about 400 million dollars), is so compiled as to maintain a harmonious balance in exports and imports between Japan and the Sterling Area.

Negotiations for the conclusion of a new Anglo-Japanese trade agreement to supplement a similar agreement for 1948-49, which expired on June 30, 1949, was near completion on September 26, after it had been under way for several months. The conclusion of the agreement was delayed due to various new developments, such as the sterling devaluation, the consequent uncertainty of the fate of the yen rate

and the abolition of floor prices in Japan, which demanded various revisions in the original draft.

New Anglo-Japanese Trade Arrangement (July, 1949-June, 1950):—

	In	In	£10,000	\$10,000
Export Program (For Japan)				
By Trade Arrangement	4,550	12,740		
By Payment Arrangement	1,350	3,780		
Invisible Trade	300	840		
Contracts Already Concluded	950	2,660		
Total	7,150	20,020		
Import Program (For Japan)				
By Trade Arrangement	5,500	15,400		
By Payment Arrangement	1,350	3,780		
Invisible Trade	300	840		
Total	7,150	20,020		

In the above table, trade through trade arrangement are those to be conducted with the U.K., British colonies, Australia, New Zealand, India and South Africa by the same method as provided in the Anglo-Japanese trade agreement for 1948-49. Details of the trade transactions with these countries are stipulated in detail for individual commodities in the current agreement. Japan's exports under this category for the period under review are estimated to total \$127,400,000, or \$16,849,000 larger than similar transactions for 1948-49 at \$110,551,000. Japan's export for the 1948-49 period eclipsed the above goal by 41 per cent and reached \$156,000,000. Thus, the exports as provided under the new agreement were \$29,000,000 less than the actual 1948-49 exports.

No individual commodity arrangements are stipulated in trade to be conducted under the payment arrangement, although the total amounts of transactions and payment terms are definitely arranged. Burma, Pakistan, Iran, Iraq, Persian Bay countries, Ice-

land and Eire will trade with Japan through the payment arrangement.

Japanese exports under the present arrangement totalling \$200,200,000 also include Japan's invisible trade incomes in the form of spending by British residents in Japan and others amounting to \$8,400,000 and the balance of Japan's export contracts at the end of June, 1949, amounting to \$26,600,000.

Major Japanese export items under the current arrangement will be textile products, machinery, tinned and bottled foodstuffs, lumber, metals, electrical appliances, chemical products, potteries and glass ware.

While Japan's exports to the sterling bloc are expected to dwindle a little under the present arrangement as compared with the 1948-49 actual results, Japan's imports will make a sharp increase. Japan's imports by the trade arrangement will total £55,000,000 (\$154,000,000), an amount larger than the arranged \$94,000,000 and the actually imported \$101,000,000 under the 1948-49 arrangement.

Inclusive of the payment arrangement calling for £13,500,000 (\$37,000,000) and invisible spending, such as freight and insurance charges, amounting to £3,000,000 (\$8,400,000), Japan's imports under the new arrangement will aggregate £71,500,000 (\$200,200,000), equalling the amount of Japan's exports. Considering that under the 1948-49 trade arrangement, Japan registered an export excess of \$16,462,000 in trade with the sterling bloc, the 1949-50 arrangement presents a different picture. The arrangement calls for reserving the said export excess of Japan (as at end of June, 1949) as an operating fund to take care of Japan's purchases of raw cotton, foodstuffs or wool whose purchases may reach large totals due to seasonal reasons.

The new arrangement, just as the trade agreement between Japan and West Germany, obliges Japan to import as much as she exports. For properly balancing trade under the present arrangement, official coordinators will be appointed to study trade exchanges between the two contracting parties every three months.

Under the present arrangement, Japan will purchase from the sterling bloc countries foodstuffs, raw cotton, wool, iron ore, crude rubber, salt, petroleum, hides and skins and tanning materials. Under the provisions of the agreement, Japan will also import 100,000 metric tons of rice from Burma, 33,000 metric tons of barley from Iran and Iraq and wheat from Australia to a combined total of 300,000 metric tons of foodstuffs. Other major imports under the new arrangements will include 7,000,000 barrels of petroleum from the Middle East, 600,000 metric tons of iron ore, 85,000,000 pounds of raw cotton, 26,000 metric tons of crude rubber, 10,000,000 pounds of jute, 250,000 bales of wool and 750,000 metric tons of salt. Under certain circumstances Japan may be compelled to buy things under the present arrangement at prices comparatively higher than international levels, such as Burmese

Japanese Financial Reports

Exchange Rate:—In line with the reopening of foreign exchange transactions by the designated 11 banks, the Foreign Exchange Control Committee on December 1 announced to fix, effective as from December 5, the exchange rates as follows:

	(In yen)	To the	To the
		Dollar	Pound
Foreign Exchange			
Control Committee			
Buying	359.65	1,007.02	
Selling	260.35	1,008.98	
Foreign Exchange Banks, Etc.			
Buying	358.45	1,003.66	
Selling	361.55	1,012.34	

Industrial Bank of Japan:—Since its postwar reorganization as of December, 1948, the Industrial Bank of Japan has been playing a key role for accommodation of long-term equipment funds. In the April-September period, 1949, loans increased by Y8,950 million, for which funds were supplied by the Y9,176 million increase of debenture issues, whilst the corresponding gain of loans in the preceding term was Y2,393 million mostly covered by the Y4,991 million hike of deposits. During April-September, 1949, deposits declined by Y3,777 million, and borrowings slightly gained by Y2,045 million. Thus, in order to meet the mounting fund requirements, the Industrial Bank of Japan doubled its capital to Y1,000 million. The bank is authorized to issue debentures 20 times its capital. Out of the total loans as of September 30, 37.5 per cent was long-term equipment funds, whereas in the case of city banks the percentage of equipment funds was only 7.6 per cent.

Bank of Japan:—The Bank of Japan on November 29 made public its summary report on business results in the April-September period of 1945-50. In relation with the Government, average loans declined by Y15,735 million, and bond and debenture holdings by Y20,020 million, whereas the Government's deposits increased by Y29,134 million. The increase of loans to private banks was not more than Y8,997 million.

rice as compared to wheat. In some cases, imports from the Sterling bloc countries may compete with similar goods from countries with which Japan carries business under trade arrangements. In order to adjust various inconsistencies which may arise, Japan may be forced to buy non-essential and non-urgent articles from the sterling bloc at comparatively higher quotations. In view of the present international conditions in which free currency exchanges are impossible, this might be an inevitable loss to Japan.

For all such discouraging factors, however, the conclusion of the new Anglo-Japanese Trade Agreement has come as a fresh spur to Japan's foreign trade by normalizing her transactions with sterling bloc areas.

Thus, the average balance of note issues was Y298,489 million, off Y7,023 million or 2.3 per cent from the preceding term.

"Big Seven" Banks:—According to the profit and loss statements recently announced by the "big seven" banks, profits, including depreciation, in the April-September period represent 40-50 per cent of paid-up capital, whereas the corresponding percentage was 20-30 in the preceding semi-annual terms, as listed below:

Profits of "Big Seven" Banks			
(In million yen: Apr.-Sept., 1949)			
Bank	Capital	Profit plus Depreciation	Net Profit
Fuji	1,350	311	132
Chiyoda	1,100	259	111
Teikoku	950	134	74
Daiichi	1,020	138	75
Sanwa	1,000	264	99
Osaka	1,140	251	95
Tokai	435	312	105

Japanese banks as well as branches of foreign banks, which were designated by the Japanese Government recently as foreign exchange banks, were somewhat disappointed to learn that entirely free foreign exchange transactions will have to await conclusion of a Japanese peace treaty. SCAP recently ruled that despite the resumption of import business on a private basis on and after 1 January, it is still premature for all such Japanese foreign exchange banks to enter into correspondence contracts with foreign banks.

The following procedures will apply to foreign exchange transactions for some time, pending a peace treaty for Japan:

(1) Correspondence contracts will be entered by the Bank of Japan only on behalf of the Foreign Exchange Control Commission with 12 foreign banks however, contracts between the Bank of Japan and British as well as other foreign banks will be delayed. Before such agreements are established, all sterling bills discounted by Japanese foreign exchange banks will have to be rediscounted by branches of British banks in Japan.

(2) Once the Bank of Japan has entered into such correspondence contracts, it will be able to issue letters of credit in place of the branches of foreign banks in Tokyo which have thus far been handling this business. When such letters of credit are opened by the Bank of Japan, some margin in foreign exchange will be transferred by the Foreign Exchange Control Commission to the correspondent banks.

(3) All foreign exchange bills discounted by foreign exchange banks will be rediscounted by the Bank of Japan. This means that all risks involved in foreign exchange bills are borne by the State.

(4) Part or all of the foreign exchange obtained by foreign exchange banks through negotiation of bills will be bought by the Foreign Exchange Control Commission.

Report from Indonesia

Although it is too early to determine the effects of the devaluation of the Indonesian guilder, other factors, which have been present since the end of the war, continued during October to exert a retarding influence on the economic recovery of Indonesia. Among these were the political situation; the shortage of foreign exchange, which has prevented the import of sufficient quantities of consumer and capital goods to increase production; and the lack of confidence in the future value of the guilder, which has encouraged speculation and hoarding.

Several important changes were effected in the foreign-exchange inducements system. Previously, exporters in specified areas had been granted percentages of the export proceeds, derived from the sale of certain products, in Singapore and Hongkong currencies. These inducements were then to be utilized for the purchase of goods in these areas. Although the inducements were scheduled to be reduced on November 7, 1949, to a level ranging from 2½ to 12 percent, they were extended generally throughout the archipelago and were made available for purchases in all soft-currency countries, no longer being limited to transactions in Singapore and Hongkong. Shippers in areas formerly under Republican administration on Sumatra (with the exception of Atjeh) will, however, be permitted to retain as much as 30 percent of their export proceeds for the purpose in question.

Export Commodity Prices:—The inflationary trend of wholesale commodity prices on the Batavia market, which began in June and reached a peak for most products at the time of the devaluation of the Indonesian guilder in September, maintained a high level during October.

Batavia Wholesale Price Quotations (In guilders per 100 kilograms)

	June	28	Sept.	26	Oct.	24
Rubber, RAM No. 1 sheets	93.50		127		122.50	
Pepper, Black						
Lampung	900		2,200		2,750	
Pepper, White						
Borneo	2,000		3,500		3,400	
Coconut oil	115		125		125	
Tapioca, Buitenzorg AAA	110		125	110		
Spices (cloves)	725		1,400	1,100		
Citronella oil	925		2,000	2,450		
Tea, average BOP	310		346	424		

Cost-of-Living Index:—Fluctuations in the cost-of-living index (1933=100) based on free-market prices of 19 domestic food products were erratic.

(5) Foreign exchange bills negotiated by foreign banks will also be bought by the Foreign Exchange Control Commission.

The role of foreign exchange banks in Japan will be confined to that of earning commissions for handling bills, as long as the above formula will be in force.

September indexes (with August indexes in parentheses) were as follows: Batavia, 1,210 (1,122); Surabaya, 1,202 (941); Palembang, 1,550 (1,615); Pontianak, 2,065 (1,849); Macassar, 1,077 (1,090).

Agricultural Production:—Exceptionally dry weather during the closing months of the east monsoon adversely affected the planting, as well as the yield, of rice, corn, and soybeans, but favoured the harvest of sweetpotatoes, cassava, and other foodstuffs. South Celebes and the Lesser Sundas also suffered from drought, but in Sumatra, Borneo, North Celebes, and the Moluccas, weather conditions were favourable. Above-normal rainfall in North Celebes resulted in a fair rice crop but an unsatisfactory corn harvest.

October purchases of copra by the Copra Board totalled 37,957 metric tons (September 34,216 tons), with stocks at the end of the month of 34,866 tons. August production of estate rubber (with July figures in parentheses) amounted to 14,829 tons (15,038); tea, 2,027 tons (1,980); palm oil, 13,371 tons (10,754); palm kernels, 3,283 tons (2,431); cinchona bark, 826 tons (650); hard fibers, 258 tons (209); cacao, 92 tons (196); and coffee, 3,792 tons (1,107).

Comparative figures for January-October 1949 and January-October 1948 production of copra were 350,175 and 261,698 tons, respectively; and for January-August 1949 (1948 figures in parentheses) for estate rubber 95,189 tons (45,917); tea 16,163 tons (6,467); palm oil 69,405 tons (26,546); palm kernels 16,836 tons (6,261); cinchona bark 4,370 tons (4,574); hard fibers 1,556 tons (3,871); and coffee 6,215 tons (7,610).

Minerals:—Production of crude petroleum during August amounted to 3,925,685 barrels (July 3,895,047 barrels) and refinery output to 4,131,180 barrels (July 4,054,166 barrels). Coal production during July totalled 51,357 tons (June 56,266 tons).

Finance:—Java bank notes in circulation on October 19 amounted to 1,805,986,763 guilders (1,789,284,933 guilders on September 21). The black-market rate of the guilder fluctuated between 17 and 25 to the US\$.

Imports into Indonesia

Indonesian imports in September 1949 totalled 281,695 tons valued at 134,035,000 guilders (US\$50,933,000), representing a decrease of 9 percent by volume and 16 percent by value as compared with August imports of 309,782 tons valued at 156,052,000 guilders (US\$59,300,000). Textiles constituted 25.6 percent by value of September imports; machinery and vehicles 18.3 percent; foodstuffs, beverages, and tobacco 17.2 percent; machinery and vehicles 9.6 percent; petroleum 8 percent; and chemicals 6.9 percent.

Indonesian Imports in September 1949

Item	Volume (in 1,000 tons)	Value (in 1,000 guilders)
Total	281,695	134,035
Foodstuffs, beverages, tobacco	35,237	22,997
Chemicals	11,084	9,264
Paper products	4,187	3,484
Textiles	5,112	34,330
Clothing and gunny bags	1,699	5,400
Metals & products	14,925	12,809
Machinery & vehicles	8,313	24,564
Petroleum	188,582	10,756
All other	12,556	10,431

The Netherlands and the United States were the principal suppliers, accounting respectively for 25,611 tons valued at 28,922,000 guilders (US\$10,990,000) and 18,377 tons valued at 25,938,000 guilders (US\$9,856,000). The Netherlands furnished 21.6 percent by value of total imports, the United States 19.4 percent, the United Kingdom 11.5 percent, Japan 9.1 percent, Burma 6.7 percent, Belgium and Luxembourg 3.7 percent, and Germany 3.3 percent.

Balance of Trade

The trade deficit for September amounted to 9,422,000 guilders (US\$3,580,000). For the period January to September 1949 foreign trade showed a deficit of 47,978,000 guilders (US\$18,232,000), the result of imports valued at 1,076,524,000 guilders and exports of 1,028,546,000 guilders. This compares with a deficit of 15,584,000 guilders (US\$5,937,504) for the like period of 1948.

Japan's Exports in December 1949

Export contracts concluded from December 1st to 31st are:

(Value in U.S. dollars)

Commodity	Open Account	Sterling Area	Dollar Area
Textiles	265,614	297,661	611,911
Sundry Goods	240,756	731,801	1,213,459
Iron & Steel	222,503	1,393,288	1,188,909
Metal & pro- ducts thereof	6,051	132,816	1,233,550
Machinery	182,434	311,980	746,589
Agriculture and Fishing Pro- ducts	294,244	430,175	2,538,388
Chemicals	93,523	3,309	46,195
Total	1,415,325	3,301,030	7,578,922

Report from Thailand

Foreign trade in Thailand during September 1949 was marked by a caution engendered by intergovernmental financial discussions; merchants generally were reluctant to enter into forward commitments. On September 26 the Thai Government announced new official exchange rates for the habt and for this first time fixed its value in terms of both the pound sterling and the United States dollar, at 35 to 1 and 12.5 to 1, respectively. Local merchants pointed out that new rates decrease Thai customs levies on sterling products and increase levies on United States dollar products. The Mines De-

partment on September 27 set new royalty rates for tin ore at 225.36 baht per picul and for tungsten at 69.07 per picul. By law, Thai royalty levies are based on Singapore prices. Mining officials also reported that a major revision of Thai mining laws is now being planned.

Rubber producers and exporters were encouraged by reports of the America-Britain-Canada conversations in Washington, which outlined plans to open a larger share of the American market to natural rubber. In the face of decreasing production, the Thai Ministry of Agriculture announced that first steps have been taken to establish an official rubber organization to manage Government rubber estates and to help small producers.

A special SCAP mission visited Bangkok to explore the possibility of selling more Japanese rolling stock. Sterling devaluation, however, occurred after the mission had left Tokyo and prevented satisfactory conclusion of conversations in Bangkok. Another SCAP mission was expected some time in November to negotiate a new semibarter agreement with Thailand. The Ministry of Commerce also confirmed that Thailand and Western Germany are considering a semibarter agreement.

On the domestic side, civil-aviation circles learned that Scandinavian Airlines System planned to initiate service to Bangkok. Other indications of Thailand's growing importance in international aviation were the establishing of a Thailand Flight Information Region effective September 1, 1949, and an invitation for bids leading to construction of a new air strip at Don Muang. Maritime shippers were informed by the Ministry of Communications that the Thai Government again is seriously considering acquisition of sufficient dredges to remove the sand bar from the Chao Phraya River.

September shipments of rice totalled 96,198 metric tons as compared with 43,767 tons exported in August. For the period January-September 1949, shipments amounted to 944,756 tons, a noticeable increase over the total of 597,644 tons for the same period last year. Market quotations (per 100 kilograms excluding export duty and sacks) on September 26 ranged from 133.92 baht for the highest grade to 46.50 baht for the lowest grade.

Value of Secondary Exports to the United States, January-September 1949 (in thousands of US\$):—

Item	First quarter	Second quarter	Third quarter	Total, Sept.
Precious stones	137	830	1,143	2,110
Shellac	210	188	228	626
Seedlac	1,081	646	533	2,260
Pepper	61	185	500	746
Hides & skins	519	217	252	988
Wolfram ore	181	293	218	692
Castor seeds	52	13	—	65
Teak	21	98	23	142
Kapok	8	33	101	142
Crude glycerin	27	—	—	27
Coconut oil	27	—	—	27
Gum damar	6	17	10	33
Crushed bones	11	14	16	41
Siamese silk	10	8	—	18
Tin residue	—	—	23	23
Miscellaneous	26	32	65	123
Total	2,377	2,574	3,112	8,063

Economic Developments in Indochina

Certain internal powers over Viet Nam were vested by France in the Viet Nam Government, headed by ex-Emperor Bao Dai, on December 30, 1949. Viet Nam comprises Tonkin, Annam, and Cochinchina. The associated States of Laos and Cambodia also are to become members of the French Union. Agreements under which these independent States will be incorporated in the French Union were ratified by the French National Assembly.

Indochina's economic situation remains impaired. Dissident elements, centered chiefly in northern Viet Nam, continue to disrupt the economy, keeping production to a minimum, making hazardous and costly all communications, and preventing adequate distribution of food supplies and other essentials. The depressed state of the economy is marked by a lack of foreign exchange, a shortage of exportable stocks, chiefly rice, and the appearance of differentials between the Indochinese and the world market prices of rubber and maize which render difficult the exportation of these basic Indochinese products.

Cost of Living:—The price of food-stuffs remained high as many imported items were still hard to get and fresh foods coming from surrounding areas were in short supply largely because of guerilla activities. The August cost-of-living index at Saigon showed a continuous increase (base: first quarter of 1949 = 100), as follows: For Europeans, 3,000; for the Indochinese middle class, 3,700; and for the Indochinese urban worker, 4,150. The wholesale-price index at Saigon for local products rose from 1,970 in April 1949 to 2,210 in August, whereas that of imported products decreased slightly from 2,070 to 2,060.

Agriculture:—Rice:—The rice-harvest prospects in both Cambodia and South Viet Nam were good at the end of the third quarter of 1949. In North Viet Nam the situation was less satisfactory, and paddies suffered from lack of rain at the beginning of the planting season. The paddy accumulations in the dissident controlled zones, which had been blocked by the French since the beginning of 1949, ran as high as 600,000 metric tons. Two convoys, organized by the French authorities during July, returned with about 25,000 tons of paddy from the blocked Transbassac region. The paddy was placed at the disposal of the Rice and Maize Committee.

In consequence of the shortage of rice stocks in North and Central Viet Nam during June, a sharp price increase occurred during July when speculators entered the Saigon market, causing an increase from 250 to about 290 piasters per 100 kilograms of No. 1 rice. Action by the Governor of Viet Nam on August 22, 1949, put an end to this situation with issuance of an order fixing the price of No. 1 rice for the Saigon-Cholon area (South Viet Nam) at 250 piasters per 100 kilograms wholesale, and 260 retail. All shipments of rice, paddy, and derivatives required prior

authorization. Ration tickets were required and sales made through approved merchants. The consumption tax on rice was abolished.

Indochina's Rice Committee planned to cooperate with the British, who were interested in setting up a rice-control system for Southeast Asia. (IEF's functions terminated on January 1, 1950).

Rubber.—A total of 19,370 tons of rubber was produced during the first 7 months of 1949, compared with 20,707 during the same period of 1948. The labour force employed on rubber plantations at the end of July numbered 25,277. Exports show a total of 19,468 tons for the first 6 months of 1949, of which 16,814 tons were shipped to France and 604 tons to the United States.

The Saigon rubber market was affected seriously in June when a sharp drop in rubber exports was recorded because French importers were no longer willing to pay a premium above the world-market prices when cheap sterling became available for buying in Singapore. Indochinese planters alleged that local prices were below the high cost of production. Price increases from 700 piasters per 100 kilograms of RSS No. 1 to 750 piasters were recorded during September. Because of price differentials, the Saigon market was at a practical standstill, and planters were forced to stockpile their rubber.

In order to remedy this situation, the French Government agreed to contract for 10,000 tons of rubber to be shipped to metropolitan manufacturers at the official price of 790 piasters per 100 kilograms (f.o.b.) for delivery from November 1, 1949, to February 1, 1950. The New York quotation for RSS No. 1 smoked sheets was equivalent to 630 piasters per 100 kilograms before devaluation and has risen to 757 piasters because of the francs devaluation, which since October 3, 1949, has made the piaster 20% to the United States dollar instead of about 16. Thus, the practical effect of the devaluation has not been enough to make it possible for Indochinese rubber to compete at world prices.

Maize.—Because of the low market price of maize at Phnom Penh, which decreased from 100 piasters per kilogram in June 1949 to 83 piasters during August, a government subsidy was set up to assure the shipment of maize at prices acceptable to Cambodian producers. In order to effect this arrangement, the French Cereal Office (L'Office National Interprofessionnel des Cereales de France) agreed to buy the 1949-50 surplus maize crop provided that the price is not more than 2,000 francs per quintal, f.o.b. Saigon. This price was 400 francs greater than that on the French market ex-warehouse Marseille. The subsidy grants Cambodian maize higher price levels than those prevailing on the world market and represents an expenditure of about 180,000,000 francs. Cambodian maize production in 1949 totalled 50,000 tons, compared with 46,784 in 1948.

Pepper.—Speculation within the pepper-growing areas caused a steady increase in the price of both black and white pepper. The wholesale price of black pepper ex-warehouse Saigon during April 1949 averaged 4,800 piasters per 100 kilograms, reaching 9,500 piasters in August. White pepper, on the other hand, increased from 7,000 piasters to 13,700 piasters per 100 kilograms during the same period.

Other agricultural products.—Political insecurity and inflated local prices kept down exports of other Indochinese agricultural products, such as dried vegetables, kapok, tea, and cassia.

Industrial Production: Mining.—Mining operations, except for coal, were at a standstill. Coal-production activities, although improved, were hampered by supply shortages and insecurity. During the first 8 months of 1949, 234,200 tons of coal were mined, compared with 209,600 in the same period of 1948. Approximately 2,500 tons were shipped to Hongkong and 2,300 tons to France. Attempts were made to conclude arrangements for the shipment of coal to Japanese Coal stocks on hand at the end of July totalled 67,608 tons.

Tin production, which began on a small scale at Tinh Tuc near the Chinese border in 1948, dwindled to almost nothing in 1949.

Cement.—Cement is the largest single manufactured product of Indochina. The cement works at Haiphong produced 81,887 metric tons of clinker cement through August, compared with 55,088 tons at the end of August 1948. An oven damaged since the war was repaired, and increased production was expected.

Cigarettes.—Cigarette manufacturing was averaging 225,000,000 cigarettes monthly and would have been greater if more tobacco had been available.

Textiles.—The textile factory at Nam Dinh, North Viet Nam, reported some progress, but labour shortage was a handicap. The entire cloth output was destined for the French Armed Forces in Indochina.

Production of Indochina's principal industries during the first half of 1948 and 1949, and in the first 8 months of 1949, is shown in accompanying table:—

Production of Principal Industries

Item	Jan.-June		
	1948	1949	1949
Coal ... 1,000 tons ..	160.0	181.5	234.2
Cement,			
crushed ... do ...	39.8	72.4	92.4
clinker ... do ...	36.5	63.8	81.9
Alcohol 1,000 liters ..	6,307.4	7,361.0	9,479.2
Bear 1,000 hectoliters	70.9	104.1	139.3
Sugar ... ton ...	10,157.0	4,873.0	5,205.0
Salt do ...	3,191.0	168.0	168.0
Tobacco (cigarettes) do ...	1,807.0	1,942.0	2,554.0
Oxygen			
1,000 cubic meters	100.1	120.6	144.0
Acetylene ... do ...	43.0	51.3	62.7

Transportation.—International and domestic air travel continued to increase, as aviation is the safest means of travel throughout Indochina. Guerrilla attacks continued to hinder railway operations, highway transportation, and inland-waterway traffic.

Flights between Saigon and Paris are now made thrice weekly, and another weekly service connects Paris with

Hanoi direct. During September, the Paris-Saigon-Noumea air line was inaugurated, with flights leaving and returning to Paris every 14 days.

International air traffic at Saigon during the first 8 months of 1949, measured by arrivals and departures (departures in parentheses) was as follows: Flights, 524 (535); passengers, 6,925 (8,059), and freight, in metric tons, 487.4 (423.4). These figures compared with 464 (471); 5,917 (6,840); and 410.2 (385.9), respectively, during the like period of 1948.

Internal air traffic, in departures only, during the first 8 months of 1949, compared with the same period in 1948 (in parentheses) was as follows: Flight, 12,997 (8,453); passengers, 89,865 (64,593); and freight in metric tons, 6,317.6 (2,892.5).

Water-transport statistics of vessels with cargo in foreign trade during the first 8 months of 1949 compared with the same period in 1948 at the port of Saigon (1948 figures in parentheses) were: Entrances, 419 (382); clearances, 423 (384); metric tons of merchandise unloaded, 558,400 (432,000), and metric tons loaded, 333,900 (370,400). During the first 7 months of 1949 (August figures not available), 174 ships entered the port of Haiphong and 168 departures were reported.

Labour.—Employment has been steady, although there has been a certain restlessness among workers, engendered by the fear of unemployment which may have resulted from the tightness of money as a result of the continuing rice blockade.

Building and Construction.—With more than 1,500,000 persons in the Saigon-Cholon district, both commercial and household premises were at a premium at the end of September 1949.

Despite increased building activity in Saigon, builders complained of a lack of basic materials such as cement and reinforcing bars. Building costs have increased tremendously since 1939, and some materials, such as sand and bricks, were 50 to 80 times higher than in the prewar period. Labour costs were about 20 times as great as those in the prewar period. Increased construction was reflected in the fact that, in 1946, 22,900 square meters of ground space of commercial and private dwelling were built; in 1947, 51,700 square meters; in 1948, 104,000 square meters; and during the first 8 months of 1949, 100,900 square meters. Some commercial premises of six or seven stories were under construction.

Finance.—Efforts were made to cut the dollar and other foreign-exchange expenditures to a minimum. Allocations under the Import Plan for the period July 1, 1949, to June 30, 1950, were reported to have been reduced from US\$20,000,000 to \$11,000,000.

Bank credit remained tight, and interest on commercial loans ranged from 5½ to 7 percent. Collections were lagging, particularly those from Chinese and small traders. Chinese traders were short of ready cash as a result of the rice blockade and trade conditions in general.

Foreign trade and exchange transactions were suspended on September 19 until October 3, 1949, in consequence of the French franc devaluation. On the latter date, the Paris free-market rate (350 francs=US\$1) was made the basis for the value of the piaster. The parity of the piaster to the French franc remained fixed at the ratio of 17 French francs=1 Indochinese piaster; therefore, US\$1=20.588 piasters, or 1 piaster=US\$0.04857; this rate could fluctuate daily with the franc. Thus, the double exchange-rate system, one official and one free, was abandoned. However the exporter was still bound to sell all the foreign exchange received to the Exchange Office or authorized banks.

Commercial-bank deposits at the end of July 1949 (those for August 1948 in parentheses) totalled 1,211,733,000 (1,163,343,000) piasters, and extension of credit by the banks totalled 639,132,000 (427,810,000) piasters.

A deficiency appropriation of 143,203,600 piasters raised the budgetary expenditures for 1949 to 1,569,814,400 piasters. The deficiency was due, in large part, to salary increases paid civil-service employees, higher costs for building construction, and subsidies granted institutions.

Foreign Trade.—During the first half of 1949 exports totalled 613,300,000 piasters (US\$48,700,000) at the then official rate of 1 piaster=US\$0.07944. Imports during the period were valued at 1,626,700,000 piasters (US\$129,200,000), showing a visible trade deficit of 1,013,400,000 piasters (US\$80,500,000).

France and the French Union, with exports of 1,119,400,000 piasters and 43,800,000 piasters, respectively, continued as the leading suppliers with a combined total of 1,163,200,000 piasters or 71.5 percent of the total import value during the first half of 1949.

The demand for American imports was reflected in an import surplus in trade with the United States amounting to 174,900,000 piasters during the same period. On the other hand, United States purchases of Indochinese goods amounted to only 5,846,000 piasters. The United States supplied 11.1 percent of total imports, being second only to France, including the French Union, in this respect.

Indochina's principal exports and imports for the year 1948 and the first half of 1949 by commodity, volume, and value were as follows:—

Principal Exports, Imports

Item	Jan.-June	
	1948 1,000 metric tons	1949 Millions of piasters
Exports, total ..	540.4	1,172
		222.6
		613
Hides, raw ..	11	15
Fish ..	2.2	11
Fish oils ..	2.0	7
Dried vegetables ..	9.0	49
Corn ..	46.8	74
Rice ..	232.9	452
Pepper ..	114.4	243
Tea ..	33	3
Tea ..	3	7
Rubber ..	42.1	309
Kapok ..	2.4	18
Cement ..	13	20.8
Coal ..	19	12.9

ECONOMIC SURVEY OF INDOCHINA

(Vietnam, Laos and Cambodia)

Area and Boundaries:—Indochina, a part of the French Union, consists of Cambodia, Laos, and Viet Nam. It extends along the eastern half of the Indochinese peninsula between latitude 8° and 23° N. and stretches approximately 1,000 miles from north to south. The country's total area comprises about 285,000 square miles, or a little larger than Texas (267,339 square miles). It is bounded on the north by China, the west by Burma and Thailand, and east and south by the Gulf of Tonkin, the China Sea, and the Gulf of Thailand.

Natural Regional Division:—The area is divided geographically into four regions. Cochinchina, Cambodia, and southern Laos comprise the vast delta and flood plain of the Mekong River. Annam consists of a long, generally narrow, coastal plain backed by the "Annamite Chain" of mountains rising abruptly to an average height of 5,000 to 6,000 feet, shutting off to the west a large practically uninhabited interior. Tonkin includes the flood plain and delta of the Red and Black Rivers, which extend inland as far as the broad Laotian plateau, and is bounded on the north by mountains along the Chinese border. Northern Laos is generally mountainous and thickly forested.

For commercial purposes, northern Laos, north Annam, and Tonkin may be grouped together while southern Laos, Cambodia, south Annam, and Cochinchina form a natural area to the south.

Climate:—The northern part of Indochina has two seasons, a hot humid summer from May to October, and a rainless but humid winter. The maximum temperature range at Hanoi from April to October is 80°-110°. The average relative humidity is 83.6 and often

reaches 100 percent. Typhoons are fairly frequent in the late summer and fall.

Southern Indochina has a monsoon climate with rain from May to November and a dry season from December to April. Temperature does not vary greatly throughout the year, ranging between 80° and 95°. Rainfall in Saigon averages 80 inches annually, nine-tenths of which is registered during the rainy season.

Population:—No accurate official data are available regarding the population of Indochina. It was officially estimated at 27,030,000 in 1946. Approximately 84 percent of this total live in north, central, and south Viet Nam (the Red River delta of Tonkin is one of the most densely populated regions in the world), and the others are centered in Cambodia and Laos, with 12 percent and 4 percent, respectively.

Included in the over-all figure, which excludes the French Military, are approximately 1,000,000 Chinese and 50,000 Europeans, mostly French.

The largest population centre, Saigon-Cholon, contains an estimated 1,500,000 persons, Hanoi being second with 150,000. Haiphong, Hanoi's port, at a distance of 50 miles, has an estimated 90,000, while Cambodia's capital, Phnom Penh, numbers 125,000.

Language:—There are two official languages in the country—French and Annamese. Annamese is spoken by many traders and professional people in the other racial groups. It is estimated that 80 percent of the total population understand this language. Chinese characters are used in the written Annamese, but have been partially displaced by a Romanized script called "Quoc Ngu," introduced by the French, which is used extensively in the schools, and is more closely related to the language in common usage.

Cambodia is the language of two or three million, concentrated in the State of Cambodia. Many Cambodians in professional and commercial circles can speak Annamese and/or French, so a knowledge of their language is less essential than a knowledge of the two official languages of the country.

System of Weights and Measures:—The metric system of weights and measures is in general use in Indochina.

PRODUCTION

Agriculture, Forestry, and Fisheries:—Indochina is essentially agricultural, rice being the chief source of wealth and the basic food staple. Of the cultivated area, about 85 percent is normally planted to rice—the highest ratio of any country. Before the war about 6,300,000 metric tons of paddy were raised annually with a yearly average production of 3,900,000 metric tons of hulled rice. Present output is estimated at about one-third below prewar. With the possible exception of Tonkin, the country remains self-sufficient in food.

Rubber production during 1948 totalled 44,500 metric tons, compared with

39,500 in 1947 and 60,000 in 1938. The production of corn, Indochina's third most important agricultural export, was estimated at from 75,000 to 100,000 metric tons in 1948, compared with a prewar annual average of 500,000 tons. The 1948 production of other agricultural products—pepper, sugar, tobacco, cassia, vegetable oils, hides and skins, kapok, and dried vegetables—fell considerably below 1938 levels.

Dried fish, a basic food item for Indochinese, represents an important industry.

Forest products, because of civil strife, are not of great importance at present but constitute a valuable economic potential. It is estimated that forests cover 30,000,000 hectares or about 44 percent of the country's total area.

Mining:—The mineral wealth of Tonkin is considerable, and high-quality anthracite coal totaling around 2,500,000 metric tons was produced prewar. Production in 1948, although rising, was only 359,000 tons. There are other valuable ores—tin, zinc, iron, bauxite, lead, antimony, graphite—and a little gold. A valuable phosphate rock deposit exists in Tonkin near the Chinese border. Unsettled conditions, however, prevent mineral development.

Industry:—Industry in Indochina is of minor importance; cement is the most important, but production in 1948 amounted to only 97,300 metric tons, compared with some 266,000 tons prewar. Other industries comprise alcohol, textiles, sugar refining, native basket work, soap, salt, and cigarettes. Cigarette production is rising, with an output of 3,574 metric tons in 1948 and 2,380 tons in 1947.

TRANSPORTATION

Highways:—Before the war Indochina had an excellent road system of some 20,000 kilometres of hard-surfaced roads, 5,500 of which were asphalt. Today the picture is quite different owing to neglect and guerrilla warfare. While some effort has been made to keep roads in repair, little improvement can be effected until conditions are more stable.

Railways:—At the present time there are 1,352 kilometres of railroad line in operation in Indochina compared with 2,908 prewar. Except for 384 kilometres of the Hanoi-Yunnan route, not currently operating, they are under Government direction. Railway operations presently are conducted under armed guard because of guerrilla activities. Only 99,582,000 passenger-kilometres and 81,916,000 metric-ton-kilometres of freight were registered in 1948, compared with 954,800,000 and 398,800,000, respectively, in 1939.

There is a 54-kilometre tramway operated in Saigon-Cholon which carried some 10,500,000 persons in 1948, compared with about twice that number prewar. The development of interurban bus lines has been greatly hampered by the general insecurity of highway travel.

Inland Waterways:—Indochina had a very efficient system of inland waterways in prewar days but because of civil strife they are relatively little

Item	1948		Jan.-June 1949	
	1,000 metric tons	Millions of piasters	1,000 metric tons	Millions of piasters
Imports, total ..	351.3	2,358	228.6	1,627
Animals	3.2	49	1.5	17
Tobacco, cigarettes ..	3.4	46	2.1	27
Vegetables	6.4	45	2.4	16
Wines, liqueurs, & brandy ..	14.8	135	4.1	49
Petroleum and products ..	79.8	57	76.4	72
Iron and steel	17.4	40	24.9	67
Patent medicines ..	1.6	67	.7	34
Cotton yarn ..	1.4	44	.5	29
Jute bags	5.1	28	5.1	42
Cotton textiles ..	6.1	318	4.1	310
Other textiles ..	.9	121	.8	90
Paper and products ..	16.6	151	7.9	60
Machines and apparatus ..	9.2	169	6.5	147
Metal products	13.4	112	9.8	83
Rubber and products ..	2.6	47	.8	21
Automobiles & parts	8.6	121	4.0	84
Cycles, motor, & accessories ..	1.5	63	.8	37

Note: 1 piaster equals US\$0.07944.

used today and then only under convoy. They are reported badly in need of dredging and repair.

Ocean Shipping:—Indochina's principal seaports are Saigon and Haiphong. The number of steamships discharging cargo at Saigon during 1948 totalled 555, compared with 403 in 1947, and 1,021 in 1938. Cargo discharged totalled 550,000, 645,000, and 477,000 metric tons for these years, respectively, and included baggage, mail, and parcel post as well as freight. At Haiphong 218, 87, and 6,284 steamships entered during the years 1948, 1947, and 1938, respectively; these figures include both oversea and coastal traffic.

The port of Saigon is being cleared of ships sunk during the war, and port facilities are improving. Eleven ships may now be tied up at docks, and buoys for five more are available in the river. There are 13 cargo warehouses which have a total capacity of about 26,000 square metres and, in addition, 25 hectares of open space are available for storage. Upon cessation of military activity more warehouses will be available.

The port of Haiphong is reported in relatively bad condition having six ship piers and five buoys from which can be worked, with 19,800 square metres of covered storage space. There is also a possibility of greater expansion at the port of Hongay for cargoes other than coal.

There are no free zones or ports in Indochina, although a treaty with China sets aside in the Port of Haiphong a special international zone for the free transit of goods coming from or going to China.

Air Routes:—Both overseas and internal aviation activities have increased greatly; the latter because of lack of security on highways, railways, and internal waterways. The only regular international services are those of (1) Air France, from Paris to Saigon, Hanoi, Hongkong, and formerly to Shanghai; (2) Air France, from Saigon to Hanoi to Kunming; (3) Air France and Thai Airways, Saigon to Bangkok; and (4) Malayan Airways, Singapore to Saigon. The Paris-Saigon service is tri-weekly, all others weekly. During the final quarter of 1948 traffic on international flights, both passengers and freight, increased approximately 20 percent compared with 1947; on internal lines these figures were doubled and trebled.

COMMUNICATION FACILITIES

While there are telephone exchanges in the larger cities of Indochina, at present all intercity and foreign communication is by radio. The Compagnie des Postes, Telephones et Telegraphes, a Government organization, operates the telephonic network of Indochina. Radio telephony and telegraphy are handled by the Compagnie Générale de T. S. F., a private firm under Government contract. There are about 5,000 telephone subscribers in Indochina today, compared with 10,140 in 1939.

FINANCE

Currency:—The basic unit of currency of Indochina is the piaster of 100 centimes. The parity of the piaster to the

French franc is fixed at the ratio of 17 French francs to 1 Indochinese piaster; but the exchange rates between the piaster and other currencies are based on the Paris "free" market franc rate, presently fixed at 350 francs to the U.S. dollar. Foreign trade is conducted at this free rate instead of the averages between the official and free rates. Calculated at the above rate 1 U.S. dollar equals 20,588 Indochinese piasters, or 1 piaster equals US\$0.04857.

Exchange transactions are closely controlled and dollar exchange is usually granted only for the purchase of items deemed essential by the Government for the economic recovery and rehabilitation of the country.

The total of French or French Union currency with which travellers of any nationality can enter this country may not exceed 4,000 French francs in cash or their equivalent in African or Pacific francs. Two hundred Indochinese piasters are permitted travellers from Asiatic countries, and 400 from all others. There is no limit to the amount of foreign exchange to bring in if declared on entry, and accounted for upon departure.

Banking:—The following banks in Saigon have branches or correspondents throughout Indochina and offer customary banking facilities: Bank of China, Bank of East Asia, Banque Franco-Chinoise, Banque de l'Indochine, Banque National pour le Commerce and l'Industrie, and the Hongkong and Shanghai Banking Corporation.

There are no maximum loan rates. Rates normally vary between 5 and 8 percent per annum, but owing to unstable conditions cover a wider range dictated by demand.

Confirmed letters of credit are generally used with drafts payable in Saigon on sight. French banking practices are followed.

INSURANCE

Insurance in Indochina is conducted by some 35 companies, among which are companies of Indochinese, French, British and American nationality. No official figures are published on insurance company operations. However, according to unofficial estimates, marine insurance premium volume is the largest written, followed in order of importance by automobile, fire, workmen's compensation and life.

There is a Government "political risk" and fire insurance scheme under which stocks of essential commodities may be insured against insurgent attack or sabotage. Under this scheme companies are authorized to issue special Government insurance certificates concurrent with regular fire coverage.

In 1948 preliminary steps were taken toward establishing a central insurance control which local sources regard as a trend toward the adoption of insurance legislation modeled on the legislation in effect in metropolitan France. Legislation previously enacted requires qualifying deposits. Other legislation in force consists of a 1935 law making third-party liability insurance compulsory for

common carriers and a workmen's compensation act based on French legislation, also enacted in 1935.

FOREIGN TRADE

Indochina is primarily an exporter of raw materials and an importer of manufactured goods.

The value of Indochina's exports in 1948 amounted to US\$93,103,680. Three agricultural exports accounted for about 71 percent of the total, distributed as follows: Rice, 39; rubber, 26; and maize, 6. Other exports, in order of importance, consisted of dried vegetables, pepper, coal, kapok, hides and skins, cement, dried fish, fish oil, and tea. Metric tonnages of some leading commodities exported in 1948 are as follows, with annual prewar averages shown in parentheses: Rice, 233,000 (1,500,000); rubber, 42,000 (60,000); maize, 46,600 (500,000); pepper, 1,400 (5,000); and coal, 69,000 (1,600,000). The chief countries of destination, with percentages of the total exports taken by each, in 1948, were as follows: France, 43.7; French Union, 17.7; Hongkong, 11.5; Singapore, 9.7; Thailand, 3.8; Japan, 2.8; India, 2.4; the United States, 2.3; and China, 2.1.

Total imports in 1948 were valued at \$187,327,464, resulting in an unfavourable balance of trade amounting to \$94,223,784, or more than twice the trade deficit of \$38,799,440 in 1947. The chief items imported in 1948, named in order of importance, were: Cotton and other textiles, yarns and thread, machinery, paper and paper products, automobiles and motor accessories, metal goods, wines and liquors, pharmaceuticals, livestock, tobacco and cigarettes, semimanufactured iron and steel, petroleum products, and foodstuffs. The percentage distribution of the total value of the imports, by suppliers, was as follows: France, 62.7; United States, 12.6; China, 4.5; French Union, 2.7; Thailand, 2.7; United Kingdom, 2.6; Indonesia, 1.8; Italy, 1.7; India, 1.2; and Australia, 1.2.

Tariff Structure:—Import tariff rates range from 0, through multiples of 5, to 50 per cent ad valorem and are applied equally to imports from all countries. There is also an internal tax ranging from 4 to 10 percent, levied on most imports; this tax is based on the c.i.f. value plus import duties. A statistical tax is also levied on all goods imported into or exported from Indochina. This tax amounts to 2 piasters per unit, that is, head (for certain animals), parcel, case, cask, bag, or other container, and/or per 1,000 kilograms or per cubic meter. In addition to these duties there is a "perequation" tax designed to equalize prices between different foreign sources of supply. An import permit must be obtained before goods are shipped.

Controls on Trade:—Export controls. The following export products remain under control, and require licensing for shipment to any destination: Paddy, rice, and derivatives; maize and products thereof; cattle feed; tapioca; peanuts and peanut oil; copra and oil; cotton; rubber; kapok seeds and oils, lard and margarine;

precious and semiprecious stones (zircons); and precious metals and products thereof of local manufacture.

Import and exchange controls.—Imports into Indochina require import licenses and exchange control permits. An Import Plan for Indochina is drawn up by the Bureau de Revision des Programmes d'Importation and submitted to the Inter-Ministerial Commission at Paris for review and approval. Formerly the procedure was that of publishing an over-all plan covering a 6-month period, this procedure now appears to have been modified, and at present individual allocations of exchange are announced separately as soon as they have been approved in Paris.

When the quota for a certain commodity has been established, and the quantity and the currency area or origin specified, it is for either the Direction des Services Commerciaux et de Ravitaillement or the Service de Controle et de Distribution des Produits Industriels, according to the category of the product, to divide it among the importers who make the best offer. The system has been abandoned whereby 90 percent of total exchange was allocated to a syndicate of importers based on the scale of prewar business, and 10 percent was reserved for individual importers. The plan is reported in operation throughout Indochina, but information indicates also that separate quotas are allocated to Tonkin (North Viet Nam) and are subdivided in the same way at Haiphong by the Service Economique of Tonkin.

Exchange is granted for imports from non-French areas only when the goods cannot be procured from French sources or when such procurement would involve too long a delay.

Sales and Equalization Taxes.—The Government of Viet Nam levies a sales tax of 1 percent on transactions.

Imports into Indochina are subject to a perequation tax, previously discussed in the section on "Tariff Structure."

Special Packing Considerations.—Too much emphasis cannot be placed on the proper packing. Goods arriving in warehouses during the rainy season are subject to persistent mildew and other moisture damage. High temperatures and humidity compel proper insulation and dehydration.

Pilferage and landing damage are common and all objects of value should be packed in solid wood containers strapped with wire. The country of origin should be plainly marked.

TRADING POTENTIALS

No national income figures are available but the per capita income is low. Bank deposits totalled 1,113 million piasters at the end of 1948. The total amount of currency in circulation at the close of 1948 was estimated to be 9,497 million piasters. There is a relatively small national debt on which annual interest charges of about 19 million piasters accrue.

Income taxes are not high and are graded according to annual earnings, or, in the case of businesses and professions, on a flat rate percentage of earn-

ings. Only the Western population, wealthy Asiatics, and Chinese pay income taxes; the poorer classes are exempted principally because of the enormous collection difficulties which would be encountered. The major portion of the revenue needed to balance the Indochinese budget is derived from Customs and excise taxes and indirect taxation of various kinds.

Yearly retail sales for Cochinchina were estimated in 1946 at about 2 billion piasters, and for all of Indochina at approximately 6 billion. No reliable statistics are currently available.

There are about 35,000 passenger cars, 9,000 radios, and 2,000 household refrigerators now in use. The daily newspaper circulation is approximately 150,000 in the Saigon-Cholon area. The annual electricity production was 55,000,000 kw-hr., compared with 83,000,000 in 1938.

Consumer markets are not affected by racial or religious customs; however the demand for European foodstuffs and other merchandise is somewhat limited, as rice is the food staple.

No construction indices exist. Since 1946 about 2,000 private dwellings and 203 commercial premises have been built in the Saigon-Cholon area. Construction lags badly with housing crises in all the large Indochinese cities, the situation being particularly acute in Saigon.

MARKETING FACTORS

The principal commercial centers are Saigon, Hanoi, Haiphong, and Phnom Penh. At present conditions in the north are chaotic and commerce is at a standstill. With the return of more peaceful conditions the portion of Touare, Annam, may be expected to supply its hinterland, while Haiphong, Tonkin, should regain its prewar importance.

There are about 40 important import and export houses, many of which also act as wholesalers and retailers. Practically all have their headquarters in Saigon, with branches in other important centers. They handle a wide variety of goods. In addition to these there are about 2,000 small importers and exporters.

As in most other countries in the Far East, the Chinese predominate both as jobbers and in the retail trade, particularly in the Provinces and small towns.

There are no free ports in Indochina. All warehousing facilities are owned by importers and exporters, forwarding agents, or shippers.

The principal advertising agency is Havas.

The present customary terms of sale is a confirmed letter of credit with drafts payable at sight at Saigon.

French is the most common commercial language, although English is acceptable.

Businessmen contemplating a trip to Indochina should book hotel rooms well in advance as accommodations are very limited, particularly in Saigon. The cost of living is very high, being 96 percent above that in 1946 and about 3,000 percent above 1939.

Economic Developments in the Philippines

Restriction on the use of credit facilities for importation of nonessentials was imposed by the Philippine Central Bank under terms of its circular No. 19, issued on November 17 and effective immediately. The circular lists as non-essentials numerous articles in such categories as the following: Passenger cars and other motor vehicles; jewelry, precious metals, and stones; perfumes and toilet preparations; beauty culture equipment; games and amusements, except athletic equipment; beverages, wines, and liquors; beer; firewoods and firecrackers; toys; textiles and manufactures; musical instruments and radios; glass and glassware; watches and clocks; ornamental articles; tobacco and tobacco manufactures; leather, skins and imitations, and manufactures thereof; rubber, and manufactures of rubber and plastic; wood, bamboo, rattan, reeds, and manufactures thereof; and electrical appliances. Also included are many miscellaneous items. One of the express purposes of the new credit regulations is to implement import controls affecting substantially the same items. The controls themselves, operative since January 1949, were made more stringent by Executive Order No. 298, effective December 1.

President Quirino, on November 14, at his first press interview since his re-election, declared that the Government's most pressing problems were the reorganization of public finances and the execution of a total economic mobilization program. (On November 17 the Secretary of Finance announced that a group of exports had been designated to prepare an integrated economic plan.) The President emphasized that further efforts would be made to bolster public revenues by means of a more efficient system of tax collection and, if necessary, by imposing additional taxes.

International exchange reserves of the Philippines totalled 528,000,000 pesos as of October 31, 1949. This is a decline of 30,000,000 pesos from September 30 and of 187,000,000 pesos from January 31. The note and coin issue as of October 31 amounted to 655,000,000 pesos, 80.5 percent cover, an increase of 47,000,000 pesos over the issue on September 30, 92 percent cover.

Suspension of all public-works programs was announced by the Secretary of Public Works on November 16. This step was necessary in order to channel available Government funds to essential services and to implement the President's program of allotting funds only for unavoidable disbursements. The last session of Congress adjourned without passing a budget for fiscal year 1950 and since July 1 Government expenditures have been made under authority of executive orders declared unconstitutional by the Supreme Court in September.

The Government recently has renewed action to buy up large estates for resale to tenants and thereby ameliorate the plight of discontented peasant elements in central Luzon. Purchase of the Buenavista Estate in Bulacan, com-

prising some 27,000 hectares (1 hectare = 2.47 acres) and with approximately 56,000 tenants, has been completed for 3,500,000 pesos. Negotiations began before the war, and tenants will be credited with payments toward their shares of the land made in "mickey-mouse" currency (Japanese occupation currency) during the occupation. Immediate purchase of the Masugbu Estate in Batangas has been urged by the Secretary of Finance.

A Fair Trade Board was established in the Philippines by Executive Order No. 286 of October 19, 1949, and met for the first time on November 2. The stated basic policies of the Board are to make more effective regulations relating to unfair competition and unfair trade practices; to achieve closer cooperation among various law-enforcement agencies; to evaluate the standards of business ethics; and to secure the cooperation of the public for prosecution of unfair practices. Close contact will be maintained by the Board with a Better Business Bureau when it is set up in Manila.

Heavy destruction was sustained in the Visayan Islands, Central Philippines, on November 1 when the area was struck by the most devastating typhoon since 1912. An estimated 670 persons were killed or lost and 356,000 left homeless as a result of the storm. One observer at Cebu reported that damage to local crops would amount to 32 to 50 percent for copra, 30 percent for rice, and 10 to 20 percent for sugarcane.

Imports into the Philippines from Japan in the first 6 months of 1949 amounted to 8,330,600 pesos, a decided advance over imports for the period January-June 1948 which were valued at 2,188,132 pesos. Cotton textiles and galvanized iron sheets have figured prominently in this trade, and to an increasing degree in more recent months. Domestic exports to Japan still far overshadow imports, however, and amounted to 14,624,675 pesos and 16,107,099 pesos for the first 6 months of 1949 and 1948, respectively.

To assure continued operation of chrome mines, the Philippine Government has formally requested the United States Government to obtain for Philippine producers of chrome ore an annual quota sufficient to meet United States requirements, or not less than 525,000 metric tons. Two Philippine chrome mines, including the largest, have been forced to curtail activities, and the entire chrome-mining industry

Hongkong Official Exchange Rates

AGREED MERCHANT RATES OF H.K. EXCHANGE BANKS ASSOCIATION

	Maximum	Selling	Minimum	Buying
<i>Sterling</i>	1/2	13/16		
			1/2 29/32	T.T.
			1/2 15/16	O.D.
			1/2 31/32	30 d/s.
			1/3 60 & 90 days.	
			1/3 1/32	120 days.
<i>Sterling</i> (East & South Africa)	1/2	13/16	1/3	O.D. if under L/Credit
			1/3	1/16 O.D. without L/credit
			1/32nd	up every 30 days.
<i>Sterling</i> (West Africa & West Indies)	1/2	13/16	1/3	3/16 O.D. if under L/Credit
			1/3	1/4 O.D. without L/Credit
			1/32nd	up every 30 days.
<i>Rupees</i> (India)	82	1/4	83	1/4 T.T.
			83	1/2 O.D.
			83	5/8 7 & 30 days.
			83	3/4 60 days.
			83	7/8 90 days.
<i>Rupees</i> (Aden)	82	1/4	83	7/8 O.D. if under L/Credit
			84	O.D. without L/Credit
			84	1/2 30 & 60 days.
<i>Rupees</i> (Rangoon)	82	1/4	83	7/16 T.T.
			83	11/16 O.D.
			83	13/16 7 & 30 days.
			83	15/16 60 days.
			84	1/16 90 days.
<i>Rupees</i> (Pakistan)	57		57	11/16 T.T.
			57	3/4 O.D.
			57	7/8 30 & 60 days.
<i>Malayan dollar</i>	52	5/8	53	1/8 T.T. & O.D.
			53	1/4 30 days.
			53	5/16 60 days.
<i>U. S. \$</i>	17	1/4	17	7/16 T.T. & O. D.
			17	1/2 30 days.
			17	9/16 60 & 90 days.
<i>Canadian \$</i>	18	15/16	19	3/16 T.T. & O.D.
<i>Australia</i>	1/6	7/16	1/6	3/4 T.T.
			1/6	13/16 O.D.
<i>New Zealand</i>	1/2	13/16	1/3	1/16 T.T.
			1/3	1/8 O.D.

has encountered difficulties in maintaining operations since the heavy decline in orders from the United States after the first quarter of 1949. At present the annual production capacity of chrome mines is estimated at 360,000 metric tons of refractory ore and

165,900 metric tons of metallurgical ore. Exports of chrome in the first 6 months of the year amounted to 160,000 metric tons. Approximately 148,000 metric tons were shipped to the United States; the remainder to Great Britain and Canada.